DOCUMENT RESUME

ED 143 604 SO 010 284

TITLE	Research Papers Sponsored by the Commission on Private Philanthropy and Public Needs. Volume II: Philanthropic Fields of Interest, Part II-Additional Perspectives.
INSTITUTION	Department of the Treasury, Washington, D.C.
PUB DATE	77
NOTE	414p.; For related documents, see SO 010 282-287; Not available in hard copy from EDRS due to small type size of parts of the original document
EDRS PRICE	MF-$1.00 Plus Postage. HC Not Available from EDRS.
DESCRIPTORS	Capital; *Federal Aid; Financial Support; *Foundation Programs; *Government Role; Incentive Grants; Minority Groups; Needs Assessment; Policy Formation; *Private Financial Support; Public Support; Social Values; Youth

ABSTRACT

Twelve papers discuss future changes and trends in philanthropic giving and activities. The report is Volume II, Part II of a five volume series examining the relationship between nonprofit institutions and their donors. The opening paper reviews the needs for better definition of the government's role in contracting and grant making, and for increased stimulation of private giving. Two papers explore the relationship between social values, public needs, and philanthropic activity. Numerous papers are concerned with minority group interests, the poor, religious groups, and youth. These papers examine from the grantees' perspective the accessibility of grantmaking institutions such as foundations, corporations, unions, churches, and federated campaigns. Three additional topics are the role of foundations in broadcasting and cable communications policy development, the United Way, and patterns of ethnic and class discrimination in the corporate and philanthropic world. (Author/AV)

Documents acquired by ERIC include many informal unpublished materials not available from other sources. ERIC makes every effort to obtain the best copy available. Nevertheless, items of marginal reproducibility are often encountered and this affects the quality of the microfiche and hardcopy reproductions ERIC makes available via the ERIC Document Reproduction Service (EDRS). EDRS is not responsible for the quality of the original document. Reproductions supplied by EDRS are the best that can be made from the original.

ED143604

U.S. DEPARTMENT OF HEALTH.
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY

Research Papers

Sponsored By

The Commission on Private Philanthropy
and Public Needs

Volume II

Philanthropic Fields of Interest

Part II — Additional Perspectives

SO 010 384

Department of the Treasury
1977

OCT 5 1977

COMMISSION ON PRIVATE PHILANTHROPY AND PUBLIC NEEDS

John H. Filer, *Chairman*

Leonard L. Silverstein, *Executive Director*

William H. Bowen
Lester Crown
C. Douglas Dillon
Edwin D. Etherington
Bayard Ewing
Frances Tarlton Farenthold
Max M. Fisher
Raymond J. Gallagher
Earl G. Graves
Paul R. Haas
Walter A. Haas, Jr.
Philip M. Klutznick
Ralph Lazarus

Herbert E. Longenecker
Elizabeth J. McCormack
Walter J. McNerney
William H. Morton
John M. Musser
Jon O. Newman
Graciela Olivarez
Alan Pifer
George Romney
William Matson Roth
Althea T. L. Simmons
Leon H. Sullivan
David B. Truman

Commission Staff

Gabriel Rudney, Director of Research
Jeanne Moore, Executive Assistant
E. B. Knauft, Assistant to the Chairman
Judith G. Smith, Editor
Robert E. Falb, Co-Counsel
Stuart M. Lewis, Co-Counsel
Jerry J. McCoy, Co-Counsel
Samuel H. Black, Co-Counsel

Consultants

Howard A. Bolton
Wade Greene
Waldemar A. Nielsen

Stanley S. Surrey
Adam Yarmolinsky
Paul N. Ylvisaker

Special Consultants

James W. Abernathy
Martin S. Feldstein
Theodore J. Jacobs
Porter McKeever

Ralph L. Nelson
John J. Schwartz
Sally J. Shroyer
Carlton E. Spitzer

CONTENTS

VOLUME I

HISTORY, TRENDS, AND CURRENT MAGNITUDES

Part I

Commission on Private Philanthropy and Public Needs
Commentary on Commission Recommendations

Donee Group Report and Recommendations

Page

Commission on Private Philanthropy and Public Needs Commentary on Commission Recommendations (1977) 3

I Broadening the Base of Philanthropy 3
  Commission Recommendation 3
    1. That to increase inducements for charitable giving, all taxpayers who take the standard deduction should also be permitted to deduct charitable contributions as an additional, itemized deduction.
  Commentary 3
  Commission Recommendation 4
    2. That an additional inducement to charitable giving should be provided to low- and middle-income taxpayers. Toward this end, the Commission proposes that a "double deduction" be instituted for families with incomes of less than $15,000 a year; they would be allowed to deduct twice what they give in computing their income taxes. For those families with incomes between $15,000 and $30,000, the Commission proposes a deduction of 150 percent of their giving.
  Commentary 4
  Commission Recommendation 5
    3. That income deducted for charitable giving should be excluded from any minimum tax provision.
  Commentary 5
  Commission Recommendation 8
    4. That the appreciated property allowance within the charitable deduction be basically retained but amended to eliminate any possibility of personal financial gain through tax-deductible charitable giving.
  Commentary 9

Page
Commission Recommendation 10
5. That the charitable bequest deduction be retained in its present form.
Commentary 10
Commission Recommendation 10
6. That corporations set as a minimum goal, to be reached no later than 1980, the giving to charitable purposes of 2 percent of pre-tax net income. Moreover, the Commission believes that the national commission proposed in this report should consider as a priority concern additional measures to stimulate corporate giving.
Commentary 11
II Improving the Philanthropic Process 11
Commission Recommendation 11
1. That all larger tax-exempt charitable organizations except churches and church affiliates be required to prepare and make readily available detailed annual reports on their finances, programs, and priorities.
Commentary 11
Commission Recommendation 16
2. That larger grant-making organizations be required to hold annual public meetings to discuss their programs, priorities, and contributions.
Commentary 16
Commission Recommendation 17
3. That the present 4 percent "audit" tax on private foundations be repealed and replaced by a fee on all private foundations based on the total actual costs of auditing them.
Commentary 17
Commission Recommendation 18
4. That the Internal Revenue Service continue to be the principal agency responsible for the oversight of tax-exempt organizations.
Commentary 18
Commission Recommendation 20
5. That the duplication of legal responsibility for proper expenditure of foundation grants, now imposed on both foundations and recipients, be eliminated and that recipient organizations be made primarily responsible for their expenditures.
Commentary 20
Commission Recommendation 22
6. That tax-exempt organizations, particularly funding organizations, recognize an obligation to be responsive to changing viewpoints and emerging needs and that they

Page

take steps such as broadening their boards and staffs to insure that they are responsive.

Commentary 22

Commission Recommendation 24

7. That a new category of "independent" foundation be established by law. Such organizations would enjoy the tax benefits of public charities in return for diminished influence on the foundation's board by the foundation's benefactor or by his or her family or business associates.

Commentary 24

Commission Recommendation 25

8. That all tax-exempt organizations be required by law to maintain "arms-length" business relationships with profit-making organizations or activities in which any member of the organization's staff, any board member or any major contributor has a substantial financial interest, either directly or through his or her family.

Commentary 26

Commission Recommendation 28

9. That to discourage unnecessary accumulation of income, a flat payout rate of 5 percent of principal be fixed by Congress for private foundations and a lower rate for other endowed tax-exempt organizations.

Commentary 28

Commission Recommendation 30

10. That a system of federal regulation be established for interstate charitable solicitations and that intrastate solicitations be more effectively regulated by state governments.

Commentary 30

Commission Recommendation 34

11. That as a federal enforcement tool against abuses by tax-exempt organizations and to protect these organizations themselves, sanctions appropriate to the abuses should be enacted as well as forms of administrative or judicial review of the principal existing sanction—revocation of an organization's exempt status.

Commentary 34

Commission Recommendation 36

12. That nonprofit organizations, other than foundations, be allowed the same freedoms to attempt to influence legislation as are business corporations and trade associations, that toward this end Congress remove the current limitation on such activity by charitable groups eligible to receive tax-deductible gifts.

Commentary 37

Page

III A Permanent Commission 38
Commission Recommendation 38
That a permanent national commission on the nonprofit sector be established by Congress.
Commentary 38
Footnotes 38

Private Philanthropy: Vital and Innovative or Passive and Irrelevant *The Donee Group Report and Recommendations* (1975) 49

Introduction 53
I The Basic Policy Issues 57
The Perspectives of the Donee Group 57
Commission Perspectives 60
Perserving the Status Quo 60
Failure to Assess Public Needs 62
Fear of Government 62
Excessive Confidence in Self-Regulation 63
II Recommendations 64
Improving the Philanthropic Process 65
Limit Donor Control 65
Broadening Membership of Governing Boards 66
Staffing is Essential 67
Expanded Public Information Requirements 68
Annual Public Meetings 69
Eliminate Expenditure Responsibility 69
Federated Fund Raising: Non-Exclusive Access; Prevent Conflicts of Interest; Reduce "Effective Donor" Control 70
Redefining the Donor Community 71
Charitable Deduction: Tax Credit Available to Everyone; Optional Tax Credit 72
Minimum Tax Required 73
Charitable Bequests: Minimum Estate Tax Required 74
Tax Gifts of Appreciated Property 74
Charitable Tax on Corporations 75
Allow Exemption Only on Property Used for Charitable Purposes 75
Government Regulation of Philanthropy 76
Remove Exempt Organizations Function from I.R.S. 76
Congressional Oversight of Philanthropy is Necessary 78
Limit Fund-Raising Cost 79
Judicial Review of I.R.S. Determinations 80
No Limits on Right to Receive Fees for Services 80
Abolish the 4 Percent Excise Tax on Foundations 81
Permanent Payout Rate of 6 Percent 81
Exempt Organizations and the Public Process 81
Remove Limitations on Lobbying 81

Page
Donee Accountability Requirements 82
Prevent Private Profit from Charitable Activity 83
Revenue Sharing 83
Members of the Donee Group 84
Footnotes 85

Part II

History, Trends, and Current Magnitudes

Private Philanthropy and Public Needs: Historical Perspective *Robert H. Bremner* (1975) 89

Introduction 89
I The Roots of American Philanthropy 89
II Pauperism and Poverty 94
III The Gospel of Wealth and the Beginning of the Great Foundations . 99
IV Philanthropy and/or Government 103
  Activist for the Insane 104
  Philanthropy in the Civil War 106
  The Peabody Education Fund 108
V Conclusion 111
Footnotes 113

Private Giving in the American Economy, 1960-1972 *Ralph L. Nelson* (1975) 115

Introduction 115
I The Growth in the Dollar Amount of Giving 116
  Philanthropic Product in the National Product 119
  The Quantity of Philanthropic Services Supplied to the Average American 121
II The Trend in Giving to Religion and in Giving to Purposes Other than Religion 122
III Trends in Giving by Living Donors, 1960-1972 125
Appendix 130
Footnotes 133

The Scope of the Private Voluntary Charitable Sector *Gabriel Rudney* (1975) 135

I Concept of Scope 135
II Findings 136
III Measurement Concepts 138
IV Estimating Methodology 140

Page

Financial Data from Form 990 Returns for Exempt Charitable, Religious, and Educational Organizations and Private Foundations *John Copeland* (1975) 143

Introduction 143
- I Summary of Tabulations 145
  - Relationship of Foundation Data to Treasury Department Study for 1962 147
- II Distribution of Organizations by Asset Size 147

Appendix 153
Footnotes 154

Results from Two National Surveys of Philanthropic Activity *James N. Morgan, Richard F. Dye,* and *Judith H. Hybels* (1975) 157

Introduction 157
- I An Overview of Giving 159
  - Estimates of Aggregate Philanthropy 159
  - Gifts of Money and Property 160
  - Gifts by Donee 165
  - Time Given to Charitable and Religious Organizations 167
  - Volunteer Time by Activity and Organization 169
  - Time Helping Friends, Neighbors, and Relatives Outside the Household 172
  - Altruism as a Syndrome: The Complementarity of Time and Money Giving 173
- II Evidence on the Effects of Tax Policy 175
  - Knowledge and Sophistication 175
  - Attitudes 179
    - Effects of Deductibility 179
    - Stated Reasons for Changes in Giving 179
    - Reports by Those Respondents Who Have Started or Stopped Itemizing 179
    - A General Query 180
    - Some "Iffy" Questions on Prospective Response to Changes in Tax Laws 181
    - Summary of Knowledge and Attitudes 184
  - Behavioral Evidence of the Effects of Taxes on Giving 185
    - Nondeductible Gifts 185
    - Giving Beyond the Limit 185
    - Giving Appreciated Assets 186
    - Trusts, Foundations, and Charitable Bequests 188
    - Private Foundations 189
    - Past and Expected Change in Giving 191
    - Tax Effects on Current Giving 192
    - Combined Samples 195
    - A Path Analysis 195

Page

Summary 197
III Other Motives and Competing Goals 197
Expressed Motives 198
Attitudes of Those Who Gave $100 or More 200
Norms 203
Personal Involvement 204
Implied Motives 207
Type of Donee 208
Incentives for Giving Time and the Choice between Time and Money 209
The Relationship between Time and Money Giving 210
Summary of the Relationship between Time and Money Giving 215
Tax Exemption of Property Used for Religious, Educational, or Charitable Purposes 217
Other Motives for Giving Inferred from Correlations with Actual Giving 217
Giving/Expected Related to Various Characteristics 217
Background Factors and Dynamics 219
Environmental Influences and Reference Groups 221
Another Look at Variables Other Than Income, Age, and Education 221
Summary 224
IV Summary and Recapitulation 224
Tax Considerations 228
Other Factors 230
Implications for Policy 231
Appendix I: Sampling, Response Rates, Sampling Variability, and Possible Response Biases 233
Appendix II: The Estimating of Aggregates 236
Appendix III: The Relative Giving Variables 246
Appendix IV: Codebook with Frequency Tables 247
Footnotes 322

Employment and Earnings in the Nonprofit Charitable Sector
T. Nicholaus Tideman (1974) 325

Recent Trends in the Not-For-Profit Sector
Dale L. Hiestand (1975) 333

The Size of the Voluntary Nonprofit Sector: Concepts and Measures
Burton A. Weisbrod and *Stephen H. Long* (1975) 339

Introduction 339
I Economic Output Versus Input 339
II Some Alternative Measures 342
Volunteer Labor Services 342
New Estimates of Voluntary-Sector Money Flows 343

Page

Nonprofit Organizations 344
Private Foundations 348
III Conclusions and Recommendations 351
Appendix A 352
Appendix B: Sample of Tax-Exempt Organization Returns (IRS Form 990) 353
Appendix C: Direct Government Grants to Voluntary Sector Education and Health Institutions 356
Appendix D: Sample of Private Foundation Returns (IRS Form 990-PF) . 357
Footnotes 358
Bibliography 360

A Study of Religious Receipts and Expenditures in the United States *Interfaith Research Committee of the Commission on Private Philanthropy and Public Needs* (1975) 365

Foreword 365
I Summary Report 367
Introduction 367
Diversity in the Religious Community 368
Charity and Benevolence 369
Survey Methodology 369
Projections 370
Religious-Related Agencies 371
Financial Receipts 371
Nonsacramental Expenditures 373
Congregations and Denominations 375
Financial Receipts 375
Nonsacramental Expenditures 376
Contributed Services 378
Composite Report 378
Financial Receipts 378
Nonsacramental Expenditures 379
II Report on Protestant and Orthodox Churches 380
Summary of Findings 380
General Description of the Protestant and Orthodox Communions . 381
Fund-Raising Procedures in the Denominations 383
Fund Raising for Church-Related Institutions 384
Attitudes Toward Giving 384
Survey Methodology 385
Analysis of Data 387
Income and Expenditures of Protestant and Orthodox Denominations 387
National Bodies 388
Regional Bodies 390
Local Churches 401

Page

- Contributed Services for Nonsacramental Activities 407
- National Church-Related Institutions 410

III Report on Catholic Agencies and Parishes 411
- Catholic Agencies 411
- Catholic Parish Data 421
  - Income 422
  - Nonsacramental Expenditures 424
  - Contributed Services 425
  - International Activities 426

IV Report on Jewish Agencies and Synagogues 426
- Summary of Findings 426
- Federations and Related Agencies Activities 426
- Synagogue Activities 430
  - Summary of Findings 431
  - Survey Methodology 432
  - Income: Synagogues and Day Schools 433
  - Expenditures: Synagogues and Day Schools 434
  - Contributed Services 436
  - International Activities 436
- Synagogue Movement Report 436
  - Reform: Union of American Hebrew Congregations (UAHC) . 436
  - Conservative: United Synagogue of America 438
  - Orthodox: Union of Orthodox Jewish Congregations of America (UOJCA) and National Council of Young Israel (NCYI) . . . 439

V Report on Morman Activities 440
- Organization 440
- Financial Support 441
- Nonsacramental Activities 441

Appendix: Interfaith Research Committee Questionnaire Form 443

Footnotes 450

VOLUME II

PHILANTHROPIC FIELDS OF INTEREST

Part I

Areas of Activity

Private Philanthropy and Higher Education: History, Current Impact, and Public Policy Considerations *Earl F. Cheit* and *Theodore E. Lobman III* (1975) 453

Introduction 453

I Private Philanthropy and Higher Education: Historical Perspectives. 453
- The Legacy of the Colonial Colleges 453

Page

An Overview of the Private Role, 1636-1974 456
Five Main Phases of the Private Philanthropic Role 461
"Piety, Civility, and the Advancement of Learning," 1619-1776 461
Diversity and Change, 1776-1862 462
Giving for Future Use and Sharing Leadership with Government, 1862-1902 463
The Era of Organized and Professional Philanthropy, 1902-1950 468
Defining a Unique Role, 1950-1975 470
II Comparisons of Federal and Private Philanthropic Expenditures in Higher Education 471
Federal and Private Expenditures Compared 473
Importance of Federal and Private Sources to Higher Education Purposes 475
Importance of Federal and Private Sources to Different Types of Institutions 476
Quality of Support 476
III The Structure of Private Support of Higher Education 479
Total Philanthropy and Higher Education 479
Sources and Purposes of Private Support of Higher Education 479
Sources and Preferences 481
Sources and Reasons for Giving 485
Sources and Size and Form of Expenditures 487
Sources and Purposes 488
Type of Institution 489
Summary: The Form of Philanthropy Implies Its Importance 490
IV Private Philanthropy and Public Policy 491
The Need for Private Support of Higher Education 492
The Functions of Private Philanthropy 492
Philanthropy, Tax, and Education Expenditure Policy 494
A Framework for Policy Analysis 495
Increased Tax Incentives for Philanthropy 496
Decreased Tax Incentives for Philanthropy 496
Decreased Tax Incentives and Decreased Federal Expenditures 497
Decreased Tax Incentives and Increased Federal Expenditures 497
New Federal Expenditures and the Nine Functions 498
V Evolving Role of Private Philanthropy 501
Appendix: The Federal Role in Higher Education 504
Footnotes 507
References 510

Page

Philanthropy in Higher Education: Its Magnitude, Its Nature, and Its Influence on College and University Finance *Hans H. Jenny* and *Mary Ann Allan* (1975) 515

Introduction 515
  Summary and Findings 516
I The Magnitude of Philanthropy in Higher Education 519
  Who Receives Philanthropic Support? 519
  What Does Philanthropy Support? 524
II What Is and Has Been the Influence of Voluntary Support on the Financial Health of Educational Institutions? 535
  Inflation and Higher Education 536
  The Need for Capital 540
  The Student's Ability to Pay: The Tuition Gap 543
  Private Philanthropy and Financial Distress in Institutions of Higher Education 547
III Some Speculations on the Future Impact of Private Philanthropy in Higher Education 552
  General Uncertainties 552
  Uncertainties that Pertain to the Tax Reform Movement 553
  Uncertainties Concerning Who Finances and Who Shall Receive Trusts 556
  A Question of Political Philosophy and of Incentives 557
Appendix A: Listing of Carnegie Commission Classification of Institutions 559
Appendix B: Summary of Materials Received from Responding Institutions 560
Appendix C: Listing of the Three Samples of Institutions 578
Appendix D 581
Appendix E 586
Footnotes 592

Philanthropy, Public Needs, and Nonpublic Schools *Donald A. Erickson* (1974) 595

Introduction 595
I Public Benefits 596
II The Current Prospect 598
III Ameliorative Strategies 600
  Strategy 1: Public Aid 600
  Strategy 2: Interpret "Charitable Donations" Liberally 601
  Strategy 3: Tax Credits or Deductions for Fees 601
  Strategy 4: Education Vouchers 602
  Strategy 5: "Private" Options in Public Schools 604
  Strategy 6: Fee-Derived Support in Public and Nonpublic Schools. 606

Page

IV Summary and Conclusions 607
Appendix 608
Footnotes 610

The Nonpublic School and Private Philanthropy *Robert L. Lamborn, Cary Potter,* and *Al H. Senske* (1974) 619

Introduction 619
I The Dimensions of Private Elementary and Secondary Education . . 619
Enrollment and Classification 619
Financial Dimensions 620
II The Public Purposes of the Nonpublic School 620
III Philanthropy and Its Relationship to the Nonpublic School 622
Sources and Amounts of Philanthropy. 622
Philanthropic Support for Research and Program Development . . . 623
IV Analysis of Financial Operations and Philanthropic Support 624
Financial Operations 624
Philanthropic Support 628
Patterns of Giving 628
V Conclusion 629
Footnotes 630

The Role of Private Philanthropy and Public Support of Science in the United States *Caryl P. Haskins* (1975) 631

Introduction 631
I Applied Science Versus Theoretical Science 632
Pioneering Science and Technological Progress 634
II Public Versus Private Support of Science 635
The Historical Record 635
The Magnitude and Distribution of Public and Private Support . . . 637
A Shared Mission 638

The Changing Role of Private Philanthropy in Health Affairs *Robert J. Blendon* (1975) 639

Introduction 639
I The Changing Role of Philanthropy 641
II Philanthropy Today 645
III Health Philanthropy Tomorrow 650
Appendix 653
Footnotes 654

Some Aspects of Evolving Social Policy in Relation to Private Philanthropy *Wilbur J. Cohen* (1975) 657

Introduction 657
I Social Policy and Philanthropy 658
Trends in Social Policy 659

Page

Preventive Services 659
The Need for Private Voluntary Organizations 660
Financing to Meet Demand 661
State Responsibility 662
Purchase of Services 662
II Opportunities for Private Philanthropy to Meet Urgent Needs of the Next Decade 662
Early Childhood Education 662
Community Education Programs 663
Emergency Social Services 665
Services for the Aging 665
An Agenda for Private Philanthropy 667
III Preparing for Growth in Social Services 668
A Council of Social Advisers 668
Social Indicators 668
Financial Planning 669
The Congressional Budget 669
The Planning of Public and Private Spending 669
Need for Analysis of Philanthropic Expenditures 670
A New Role for the Private Sector 670
Evaluation 670
Voluntarism 671
Funding Patterns 671
A Role for Meeting Local Needs 672
Appendix A: Federal Grants to States for Social Services: Title XX of the Social Security Act 673
Appendix B: Public and Private Expenditures for Health, Education, and Welfare 674
Footnotes 674

Some Aspects of Private Philanthropy in Relation to Social Welfare
Ellen Winston (1975) 677

Introduction 677
I The Financing of Voluntary Social Welfare 678
II Sorting Out the Public and Private Role in Social Welfare Support. 687
III Administrative Problems 688
Financial Aspects 688
Other Concerns 690
IV The Future 692
Appendix A: The Problem of Defining Social Welfare 693
Appendix B: Examples of Foundation Support for National Voluntary Social Welfare Agencies 694
Footnotes 695

Page

The Voluntary Social Agency Experiments, Innovates, Demonstrates, and Influences Public Social Policy: The Community Service Society of New York, 1930-1970 *Joseph L. Vigilante* and *Ruth Kantrow* (1974) . . 697

Introduction 697
I A Brief History of The Community Service Society 698
Functions of the Voluntary Social Agency 699
II Themes of Service and Activities of the Community Service Society 700
Responsiveness to Community Needs 701
Innovation and Experimentation 703
Emphasizing Quality Rather Than Quantity of Service 704
Mobilization of the Community to Address Social Problems 705
The Monitoring Function 706
III Findings and Recommendations 707
IV Summary 710
Footnotes 711

A Report on the Arts *Caroline Hightower*, for Associated Councils of the Arts (1975) 713

Introduction 713
I The Need for the Arts 714
II Why the Arts Are in Financial Trouble 715
The Critical Mix of Private and Public Support 716
The Need for More Information to Aid the Industry and Inform the Public 717
III Expenditures of Arts Organizations 718
IV Income of Arts Organizations 719
The Earnings of Arts Organizations: When Success Doesn't Pay for Itself 719
Private and Government Funding: An Important "Mix" with Roles Unresolved 721
Contributions from Individuals 722
National Foundations 723
Local Foundations 724
Corporate Support 724
Community Arts Councils 725
Government Support 725
V In Summary 727
Appendix A 728
Appendix B: The Cash Reserve Program of The Ford Foundation; The Dance Touring Program of the National Endowment for the Arts; Cincinnati: A Successful Fund-Raising Campaign 728
Appendix C 732

Page

The Role of Philanthropy In the Environmental Field: Preservation of Natural Lands and Historic Properties *Janet Koch* **with** *Thomas W. Richards* (1975) 735

I Some Reasons for Preservation 735
  Wilderness and Wild Things 735
  Remnants of History 736
II Public Actions and Private Organizations 736
  Government Programs 736
  Private Efforts 738
III Private Initiatives 738
  Acquiring Land 738
  Preserving History 740
  Guarding What We Have Saved 741
IV Changing the Tax Code 742
  Gifts of Property 742
  Matching Governmental Appropriations 744
  Tax Changes for Environmental Protection 744
V Speculating Costs 745
  Inventories 745
  Acquisition 745
  Guardianship 746
  Maintenance 747
Appendix A: Government Programs 747
Appendix B: Private Organizations 749
Footnotes 751

The Role of Private Philanthropy in Relation to Environment-Pollution *Blair T. Bower* (1975) 753

I Definition of Sector 753
II Evolution of Private Philanthropic Activity in the Environment Sector 753
III Role of Private Philanthropy in the Sector Environment-Pollution 754
  Research 754
  Monitoring Implementation 756
  Summary 757
Appendix 757

Philanthropic Activity in International Affairs *Adam Yarmolinsky* (1975) 761

Introduction 761
I Private Foreign Aid 763
  A Little History 763
  The Shape of Private Foreign Aid Today 767
    Disaster Relief 769

Page

Refugee Relief 769
Food Aid 769
Development Assistance 771
Why Private Foreign Aid? 774
The Legal Issues 778
II International Affairs Education and Research 779
University Programs 780
Independent Research Institutions 785
International Affairs Education Outside the University 787
Common Problems 790
Footnotes 792

Private Philanthropy and Public Affairs *Jane H. Mavity* and *Paul N. Ylvisaker* (1975) 795

Introduction 795
I Concepts, Categories, and Cases 797
Public Affairs as Process 797
Philanthropy as a Private Version of the Legislative Process 798
Philanthropy as a Private Version of the Administrative Process . . 798
Philanthropy as a Social and Political Process 799
Philanthropy as Historical Process 800
Public Affairs as a Philanthropic Category 800
Four Principal Purposes of Public Affairs Giving 802
Concluding Note 810
II Historical Perspective 811
Overview 811
Early Philanthropists in Public Affairs 811
Foundations in Public Affairs 811
Public Affairs Philanthropy in the 1960s 814
A Note on Current Trends 815
III The Logic and Counterlogic of Philanthropy's Role in Public Affairs 816
Introduction 816
The Logic of Private Philanthropy in Public Affairs 816
Counterlogic and Resistance to Private Philanthropy's Intervention in Public Affairs 819
IV The Tax Reform Act of 1969, and After: "Bringing Logic and Counterlogic Together" 822
TRA's Impact on Philanthropic Practice 822
TRA and the Question of Public Accountability 824
V After 1969 – An Intermediate View 825
Issue #1: Should the congressional charter of private philanthropy (the Tax Reform Act of 1969) be rewritten in more affirmative

Page

terms, to encourage greater and livelier use of American philanthropy's potential? 825
Issue #2: Is the contribution of private philanthropy to public affairs worth the loss of public taxes involved in getting it? . . . 828
Issue #3: Is private philanthropy prepared to engage in public dialogue and deal with the gut-level questioning of its value and effectiveness? 829
Concluding Note 829
VI The Broader Context and the Longer Range 830
The Language Barrier 830
The Problem of Narrow Perspective: The Tax Peephole 830
Question: Should Philanthropy be Further—or at all—Associated with Favored Tax Treatment? 831
Question: What are the Touchstones for Deciding? 831
Question: Are Philanthropy's Sources of Support in Proper Balance? 832
Tensions and Trade-Offs Between Private Giving and Governmental Support 833
Resolution: Long-Term Prospects and Concerns 833
In Benediction 835
Footnotes 835

A Survey of the Voluntary Action Center Network *National Center for Voluntary Action* (1975) 837

Issues and Problems Facing the Voluntary Sector: A Survey of Leadership Opinion *Gordon Manser* (1975) 843

Introduction 843
I Survey Findings 845
Public/Voluntary Relationships 845
Revenue 847
Federal Tax Policy 847
How the Voluntary Sector will Respond 848
Citizen Participation 848
Better Understanding 849
Better Management 850
Foundation Responsiveness 850
Planning 850
Accountability 850
II Conclusion 851

The Voluntary Sector: Problems and Challenges *Pablo Eisenberg* (1975) 853

Introduction 853
I The Expanding World of Private Organizations 854
II The New Federalism and Government Power 855

Page

The Need for Community-Based Organizations 857
National Problems and the Need for National Organizations 858
III The Foundations and Their Priorities 859
The Responsibilities of Other Voluntary Organizations 860
IV Relationship Between the Private and Public Sectors 861
Research Needs 863

A Study of the Quantity of Volunteer Activity of United Way and Its Member Agencies *United Way of America* (1974) 865

Introduction 865
I Basic Data 867
II Estimation of Total Volunteer Hours 868
III Findings 869
Relationship of Program Service to Auxiliary Time 869
Ratio of Volunteer to Paid Professional Time 870
Volunteer Time and Community Size 871
Program Service Intensity 871
Allocation of Manpower 872
Appendix: List of Cities Participating in Study 874
Footnotes 875

A Philanthropic Profile of Four Cities: Atlanta, Cleveland, Des Moines, Hartford (1975)

Summary *Institute of Public Affairs, Inc.* 877

Private Philanthropy in Metropolitan Atlanta *The Institute for Social Research, Inc.* 883

I Private Nonprofit Agencies in Atlanta 883
Private Colleges and Universities 884
Private Primary/Secondary Schools 885
Private Recreation Agencies 885
Hospitals 887
Other Health Services 887
Social Services 889
Cultural Institutions 890
II Granting Practices of Foundations in Atlanta 891
Construction and Program 891
Capital Expansion Fund Recipients 891
Program Grant Recipients 891
Foundation Philosophy and Direction 892
Granting Practices of Foundations 893
III Granting Practices of Corporations in Atlanta 895
Construction and Program 895
Capital Expansion Fund Recipients 896

Page

Program Grant Recipients 896
Granting Practices of Corporations 897

A Philanthropic Profile of the Cleveland Metropolitan Area, *Human Services Design Laboratory* 899

Survey Methodology 899
I Cleveland Philanthropic Profile: Recipients' Source of Income . . . 900
Findings 901
General Breakdown of Income Sources 903
Breakdown of Income Sources by Individual Category 909
Education 912
Cultural Affairs 912
Health 913
Social Services 915
Civic Affairs 917
II Cleveland Philanthropic Profile: The Recipients' Viewpoint 917
Findings 919
Funding Trends 919
The Role of Volunteers and Impact of Funding Sources on Their Involvement 919
Impact of Funding Sources on Agency Operation 919
Responsiveness of Funding Sources to Public Need 920
Conclusions 921
III Cleveland Philanthropic Profile: Donor Allocations 923
Findings 923
IV Cleveland Philanthropic Profile: The Donors' Viewpoint 925
Findings 928
How Have Local Patterns of Philanthropy Changed in the Past Two to Three Years? 928
Are Local Mechanisms for Setting Priorities Satisfactory and Do They Provide Adequate Community Involvement? 930
Are Local Foundations Meeting Their Responsibilities to the Community? 930
In What Areas of Human Services Should Foundations Have Greater Financial Involvement? 931
How Has Government Support of Human Service Organizations Affected Philanthropy in the Cleveland Metropolitan Area?. 932
What Would Be the Impact of Changes in Federal Tax Laws Affecting the Deductibility of Charitable Donations? 933
What Is the Nature and Extent of Non-Financial Philanthropic Efforts and How Are They Related To Opportunities and Incentives for Financial Philanthropy? 933
V Summary and Conclusions 934

Page

Philanthropic Profile of Metropolitan Des Moines *United Way of Greater Des Moines, Inc.* 937

Survey Methodology 937
- I Survey Findings 939
- II Financial Data 942
  - Corporations and Foundations 948
  - United Way 950
  - Five Large Organizations 952

Philanthropic Profile of the Connecticut Capitol Region *The Community Council of the Capitol Region* 953

- I Agency Fiscal Survey 953
- II The Agency Perspective 953
  - Findings 954
    - Trends in Public Funding 956
    - The Voluntary Role and the Impact of Funding Sources on Volunteer Involvement 957
    - Impact of Funding Sources on Agency Operations 957
    - Responsiveness of Community Funding Sources to Public Need 957
    - The Role of the Private Sector Agency 958
- III Fiscal Survey of Private Funding Organizations 958
- IV The Funders' Perspective 959
  - The Effect of Tax Laws on Philanthropic Contributions 962
  - The Role of Philanthropic Money 962
  - Philanthropic Giving and Public Priorities 962

The Anatomy of Giving: Five American Cities (1975)

A Preface *Bice Clemow* 963

Search for the Bridge: The Stand-Off Between City Hall and "Five Points" in Atlanta *Bice Clemow* 969

Cleveland: Faint Halo Around a Solid Tradition of Giving *Robert S. Merriman* 985

Private Philanthropy in Des Moines *Calvin Kentfield* 995

Money Above, Action Below: Philanthropy in Hartford *Vivian Gornick* . 1003

Passing the Buck: Philanthropy in San Francisco *Jack Shepherd* 1017

Page

Part II

Additional Perspectives

An Agenda for the Future
Reynold Levy and Waldemar A. Nielsen (1975) 1029

Introduction 1029
I The Need for Information, Analysis, and Ideas 1030
Special Problems and Needs of the Social Action Movement 1031
The Impacts of Stag-Flation on the Private, Nonprofit Sector 1033
II The Need for New Approaches to the Intensifying Issues at the Interface with Government. 1034
The Fearful Asymetry 1035
The Obscure Limits to Interpenetration 1037
The Task of Role Clarification 1038
Government Contracting and Grant Making—the Crucial Transactions. 1041
The Need for Structural Reforms in Government 1043
The Executive Branch 1043
The Role of Congress 1046
III The Need for Overhauling and Reinforcing the Third Sector 1047
The Need for More Resources 1050
Stimulating Private Giving 1051
Individual Giving 1051
Corporate Philanthropy 1052
Generating Greater Government Support 1054
The Need to Broaden Public Support and Participation 1056
Some Reasons for Hope 1061
IV The Need to Create a New Public Foundation for the Private Nonprofit Sector 1064
Footnotes 1065

Public Needs, Public Policy, and Philanthropy: An Analysis of the Basic Issues and Their Treatment by the Commission on Private Philanthropy and Public Needs *Thomas R. Asher* (1975) 1069

Introduction 1069
I Public Needs: An Overview 1072
II The Evolution of America's Egalitarian Values 1073
III Citizen Empowerment: The Public Need Addressed by the Public Interest Movement 1075
Leverage in Philanthropic Giving 1076
The Movement for Political Equality 1076
Financing Citizen Empowerment 1081
IV Conclusion 1085
Footnotes 1089

Page

Values, Voluntary Action, and Philanthropy: The Appropriate Relationship of Private Philanthropy to Public Needs *David Horton Smith* (1975) 1093

Introduction 1093
- I Values and Needs, Public and Private 1094
- II Basic Public Needs 1096
  - Physical and Mental Health 1096
  - Economic Well-Being 1097
  - Justice, Security, and Freedom 1097
  - Education and Communication 1098
  - Science, Technology, and Inquiry 1098
  - Religion, Philosophy, and Idealism 1098
  - Peace and Social Integration 1099
  - Esthetic Experience, "Culture," and Entertainment 1099
  - Leisure and Recreation/Relaxation 1099
  - Emotional Expression and Interpersonal Relations 1100
  - Participation, Involvement, Efficacy, and Power 1100
  - Ecological Balance and a Decent Environment 1100
  - Social Welfare and Social Services 1100
  - Social Change and Adaptation 1101
  - International Perspective and Relations 1102
- III Validity of the Public Needs List 1102
  - Relation to Implicit Filer Commission Public Needs List 1104
  - Relation to Filer Commission Final Report and Recommendations 1107

Philanthropy and the Powerless
Sarah C. Carey (1975) 1109

Introduction 1109
  - New Trends in Giving to the Powerless 1111
  - Philanthropic Assistance to the Powerless: What Tactics Work 1114
- I Changing the Economic Plight of the Poor 1116
  - Advocacy for the Poor 1117
    - The Welfare Rights Movement 1117
    - Hunger and Malnutrition 1120
  - Cooperatives, Community Development, and Minority Businesses 1122
    - Corporate and Rural Programs 1122
    - Minority Business and Urban Economic Development 1123
- II Grants to Mexican-Americans and Indians 1124
  - Mexican-Americans 1124
    - Mexican American Legal Defense and Education Fund (MALDEF) 1125
    - Organizers and Community Developers 1125
    - Attitudes of Chicano Grantees 1128

Page

American Indians 1128
    The Powers of the Tribe 1130
    The Rights of Indians Without Tribal Status 1130
    The Protection of Tribal Land and Resources 1131
    Education and Culture 1132
III Political Participation and the Reform of Governmental Institutions 1133
  Voting Rights and Voter Education 1134
  School Finance Reform 1137
IV Revitalizing Rigid Institutions to Serve Their Clients or Members 1139
  Union Reform: The Case of the United Mineworkers 1139
V A Special Look at Church and Corporate Giving 1141
  The Churches 1141
    Special Funds 1141
    General Welfare Support 1143
    Peace Activities 1144
  The Corporations 1144
    Background 1144
    Examples of Corporate Philanthropy 1148
VI The Youth Project: A Mechanism To Assist Donors in Reaching Powerless and Social Activist Groups 1151
VII Recommendations 1153
Appendix: List of the "Activist" Foundations 1155
Footnotes 1157

U.S. Foundations and Minority Group Interests
U.S. Human Resources Corporation (1975) 1165

Introduction 1165
  Research Focus and Mehodology 1165
  U.S. Human Resources Corporation 1166
  Summary 1167
  Recommendations 1169
I Identifying Foundations 1172
  Definitions of Foundations 1172
  Types of Foundations 1174
  Number of Foundations 1175
  Growth and Assets of Foundations 1176
  Trends in Foundation Grant-Giving 1177
  Foundation Grants Compared With Federal Expenditures 1180
II Grants Data 1181
  Methodological Note 1181
  Grant-Giving Patterns to Programs Benefiting Domestic Spanish Heritage Populations 1183
  Grant-Giving Patterns to Programs Benefiting Domestic Asian American Populations 1188

Page

Summary 1192
III American Philanthropy and the Public Interest 1193
Rationale for Private Foundations–General Policy Issues 1193
Public Policy and Tax Incentives for Private Philanthropy 1195
The Tax Reform Act of 1969–Legal Constraints and Policy Issues 1197
The TRA and Grant-Making Policies Affecting Minorities 1198
IV Mission and Program of Foundations–Foundation Involvement in Institutional Change 1201
Historical Antecedents 1201
Survey Data Relating to Institutional Change 1204
Reactions of Ethnic Minority Leaders and Ethnically Oriented Organizations 1206
Institutional Change-Oriented Projects as Perceived by Foundation Spokesmen 1211
The Governmental View of Foundations' Role in Institutional Change 1214
Other Views of Foundation Participation in Institutional Change . . 1215
V Programs and Viewpoints Relating to Minorities–Foundation Involvement in Political Processes, High-Risk Projects, and Cultural Hospitality 1225
Foundation Involvement in Studies or Actions Affecting Governmental Structure, Policies, Programs, and Political Processes 1225
Native American Control of or Influence on School Boards . . 1225
Public Attitudes Toward Foundation Involvement in Public Affairs 1226
Views of Americans Attending the Anglo-American Conference on the Role of Philanthropy in the 1970s . . . 1228
Financing High-Risk Projects, Groups, or Organizations with No Established Track Record 1228
Perspective of Scholars and a Professional Organization 1228
Views of a Public Official and of a Minority Spokesman 1229
Foundation Perspectives 1230
Allocating Resources to Programs for Poor or Disadvantaged Individuals and Groups, Ethnic Minorities–Cultural Hospitality in Grant-Making 1234
A Venture to Increase the Number of Black Lawyers Practicing in the South 1237
Foundation Help for the Medical Education of Ethnic Minorities 1239
Grant-Making to Native Americans 1239
Perspectives of Ethnic Minority Spokesmen 1241

Page

VI Administrative and Structural Policies Relating to Minorities 1243
  Trustees 1243
  Staffing 1246
  Dissemination of Information and Technical Assistance 1249
Appendix 1253
Bibliography 1265
Footnotes 1269

Philanthropic Foundations of the U.S. and their Responsiveness to the Special Needs, Problems, and Concerns of the Hispanic Community: 1960 Through 1971 *The National Council of La Raza* (1975) 1283

Introduction 1283
I Survey of Literature 1284
II Demographic, Social, and Economic Characteristics of the Spanish-Origin Population of the United States 1288
III Research Methodology 1292
IV Findings 1293
V Conclusion 1300
Bibliography 1300
Footnotes 1302

The New Federalism: Government Accountability and Private Philanthropy *Peter J. Petkas* (1975) 1305

Introduction 1305
I The New Federalism 1305
II The Quasi Governments 1308
III The A-95 Review Process 1309
IV State, Local, and Private Accountability Mechanisms 1310
V The Accountability Gaps: Experience Has Been No Guide 1311
VI Citizen Groups in the South 1314

The Role of Foundations in Broadcasting and Cable Communications Policy Development *Albert H. Kramer* (1975) 1317

Introduction and Summary 1317
I The Foundations' Greatest Effort at Meeting Public Needs in Broadcasting 1318
II Foundation Support of the Challengers 1320
  The Success Stories 1321
    Office of Communication of the United Church of Christ 1321
    Citizens Communications Center 1321
    Action for Children's Television 1322
    Media Access Project 1323
  The Might-Have-Beens 1324

Page

The "Counter-Ad" Movement and Its Evolution 1324
Black Efforts for Soul in Television 1327
An Advocacy Movement Responsive to Public Needs 1328
III The Current Reaction to Efforts to Meet Public Needs in Communications 1330
Some "May-Becomes" in the Broadcasting Area 1330
The National Citizens Committee for Broadcasting 1330
The Alabama Educational Television Commission 1332
Cutting the Cable 1333
The Federal Level 1335
The Local Level 1336
Meeting Public Needs in Cable Policy 1338
IV Conclusion 1339
Appendix 1340
Footnotes 1341

Foundation Grants to Corporate Activist Groups: The Donee Perspective *Philip W. Moore* (1975) 1343

Introduction 1343
I Corporate Activist Groups: Background 1344
II The Project on Corporate Responsibility 1345
III Council on Economic Priorities 1347
IV The Interfaith Committee on Corporate Responsiblity 1349
V Other Corporate Activist Groups 1350
VI Conclusion 1351

The Role of the United Way in Philanthropy
David Horton Smith (1975) 1353

Introduction 1353
I Fund Raising and Resource Attraction 1354
II Governance 1363
III Access to United Way Funds 1373
IV Allocation, Accountability, and Planning 1378
Allocation of United Way Funds 1378
Accountability in the United Way System 1379
Priority Planning and Public Needs 1380
V Conclusion 1380
Footnotes 1381

Who's Funding the Women's Movement?
Mary Jean Tully (1975) 1383

Patterns of Ethnic and Class Discrimination in the Corporate and Philanthropic World *Geno Baroni, Arthur Naparstek,* and *Karen Kollias* (1975) 1385

VOLUME III

SPECIAL BEHAVIORAL STUDIES, FOUNDATIONS, AND CORPORATIONS

Part I

Special Behavioral Studies

Page

Tax Incentives and Charitable Contributions in the United States: A Microeconometric Analysis *Martin S. Feldstein* and *Charles Clotfelter* (1975) 1393

Introduction 1393
I Data, Specification and Definitions 1394
II The Basic Parameter Estimates 1397
III Additional Specifications and Tests 1401
Taxpayers with Itemized Deductions 1401
Aged and Nonaged Taxpayers 1401
Other Demographic and Economic Factors 1402
IV Varying Price Elasticities 1403
V Interdependence Among Individuals in Charitable Giving 1407
VI Simulated Effects of Alternative Tax Changes 1409
VII Conclusion 1413
Footnotes 1413

The Income Tax And Charitable Contributions: Estimates And Simulations With The Treasury Tax Files *Martin S. Feldstein* and *Amy Taylor* (1975) 1419

Introduction 1419
I Specification and Data 1419
II The Basic Cross-Section Estimates 1422
III The Effects of Changes in Tax Rates 1425
IV Estimating Separate Price Elasticities by Income Class 1429
V Simulated Effects of Alternative Tax Changes 1431
VI Conclusion 1437
Footnotes 1438

Effects of the Charitable Deduction on Contributions by Low-Income and Middle-Income Households: Evidence from the National Survey of Philanthropy *Michael J. Boskin* and *Martin S. Feldstein* (1975) 1441

Introduction 1441
I The Data 1442
Charitable Contributions 1442
Price 1442
Income 1443

Page

Age 1443
Other Variables 1443
II The Basic Results 1443
III Estimating the Price Elasticity by Income Class 1446
IV Is There an Itemization Effect? 1448
V Conclusion 1449
Footnotes 1450

Estate Taxation and Charitable Bequests
Michael J. Boskin (1975) 1453

Introduction 1453
I A Model of Lifetime Charitable Contributions and Charitable Bequests 1454
II A Cursory Discussion of Previous Studies, Estimation Problems, and Data 1458
Previous Studies 1458
Estimation Problems 1459
Sources of Data 1461
Definition of the Variables 1461
III Empirical Results: 1957-59 Special Study Data 1464
IV Empirical Results: 1969 Data 1469
V The Effect of Alternative Estate Tax Reforms on Charitable Bequests 1473
VI Caveats and Conclusions 1479
Footnotes 1480

Charitable Bequests, Estate Taxation, and Intergenerational Wealth Transfers *Martin S. Feldstein* (1975) 1485

Introduction 1485
I Data and Measurement 1486
II Effects of Price and Estate Size 1488
III Behavior of Large Estates 1491
IV Bequests by Major Types of Donees 1493
V Concluding Remarks 1495
Footnotes 1500

A Note On the Estimation of Personal Giving
Ralph L. Nelson (1975) 1501

Evaluation of Econometric Research on the Income Tax and Charitable Giving *Arnold Zellner* (1975) 1515

Page

Charitable Contributions Under the Federal Individual Income Tax: Alternative Policy Options *George F. Break* (1975) 1521

Introduction 1521
I Major Policy Options 1522
  Extend the Charitable Deduction to All Taxpayers 1522
  Place Maximum Limits on the Charitable Deduction 1524
  Compulsory Allocation of Charitable Deductions 1525
  Restrict Deductions for Appreciated Assets to Cost Basis 1525
  Tax Unrealized Appreciation on Property Contributions as a Long-Term Capital Gain 1527
  Eliminate the Charitable Contribution Deduction 1529
  Substitute a Single-Rate Tax Credit for the Charitable Contribution Deduction 1530
  Enact an Optional Tax Credit for Charitable Contributions 1533
  Place a Floor Under Deductible Charitable Contributions 1535
II Mixed Policy Options 1536
Footnotes 1537
Bibliography 1538

Part II

Foundations

The Public Funding Agency *Eric Larrabee* (1975) 1543

Private Foundations and the 1969 Tax Reform Act *Chairman and Staff, Council on Foundations, Inc.* (1975) 1557

Introduction 1557
I General Background and Rationale 1557
  Brief History 1557
  Rationale 1559
II Dimensions of the Foundation Field and Program Trends 1560
  Types of Foundations 1560
  Assets and Their Distribution 1561
  Distribution and Trends by Fields 1562
  Matters of Scale and Impact 1563
III The 1969 Tax Reform Act and Its Effects 1564
  Summary of Principal Provisions 1564
  1974 Council on Foundations Survey 1565
  The Effects of the Act 1565
    The Tax on Investment Income 1565
    Administrative Costs and Staffing 1566
    Reporting to the Public 1568
    The Pay-Out Requirement 1568

Page
Program Restrictions 1571
Excess Business Holdings 1572
IRS Supervision 1572
Birth and Death Rates 1573
IV Endeavors and Accomplishments 1576
Large Doings of the Past 1577
ETV: A Case History 1578
Regional Examples 1580
Relations to Government 1583
V Critical Issues: Pro and Con 1584
Post-1969 Perspective 1584
Critics on All Sides 1585
Accountability 1585
Accessibility 1586
Donor Influence 1586
"Whose Money and To What Effect?" 1588
Reaffirmation 1590
VI Recommendations 1591
To Foundations 1591
"Not Our Money But Charity's" 1592
Periodic Review of Objectives and Activities 1592
Extending the Perceptions of Boards and Staffs 1592
Informing the Public 1592
Responsibilities to Applicants and Grant Recipients 1592
Assessing the Responsibilities and Capabilities of Both Trustees and Staff 1593
Increasing Communications and Cooperation 1593
Making the Charitable Dollar Make a Difference 1593
Recommendations Relative to the 1969 Act and Other Issues 1593
On the 4 Percent Tax 1594
On the Level of Required Pay-Out 1595
On Special Limitations Affecting Gifts to Foundations 1595
On Certain Divestiture Requirements 1596
On Program Restrictions 1597
On the Issue of Limited Life 1597
On Supervision 1598
Appendix A: Growth and Dimensions of the Foundation Field 1599
Appendix B: Council on Foundations Survey of the Effects of 1969 Tax Reform Act Among Private Foundations 1613
Appendix C: *Reasonable Investment Expectations and the Payout of Private Foundations* J. Peter Williamson 1648
Footnotes 1653

Page

Pay-Out Requirements for Foundations *Eugene Steuerle* (1976) 1663

Introduction 1663
I Historical Review 1663
II Equity and Efficiency of Current Distributional Requirements . . . 1666
  Horizontal Inequity in Distributional Requirements 1666
  Deficiencies of the Current Formula 1666
  Instability of Distributions 1667
III Recommendations for Revision in Requirements for Distribution . . 1668
IV A Question of Perpetuity 1671
  Growth of Individual Foundations 1671
  A Model of Foundation - Sector Growth 1672
V The Effect of Distributional Requirements for Foundations Upon the Charitable Sector 1676
VI Conclusion 1677
Footnotes 1677

Foundations and the Federal Government: A Look at Spending Patterns *Michael S. Koleda, Daniel Bourque,* and *Randall Smith* (1975) . 1679

Introduction 1679
I Health 1680
II Education 1681
III Science 1683
IV Social Welfare Services 1684
V Arts and Humanities 1685
VI Public Affairs 1686
Appendix 1687

Community Foundations *Norman A. Sugarman* (1975) 1689

I Background 1689
  A Brief History of the Community Foundation Movement 1689
  Some Basic Data on Community Foundations 1691
  Characteristics of a Community Foundation 1692
II The Role of Community Foundations 1694
  Operations of Community Foundations in General 1694
    Structure for Attraction of Gifts or Bequests from the Public 1694
    Efforts to Seek Public Support 1694
    Types of Gifts or Bequests Encouraged 1695
    Investments and Distributions 1695
  The Role of Community Foundations in Community Public Service 1697
    Community Foundation Distributions in General 1697
    Uses of Community Foundation Grants 1697
    Community Foundation Services in Utilizing Other Community Resources 1699

Page

III Community Foundations and the Tax Laws 1700
Pre-1970 Status of Community Foundations Under the Tax Law .. 1700
Classification of Foundations Under the 1969 Act:
Application of Rules to Community Foundations 1701
Differences Between Community Foundations and Private
Grant-Making Foundations 1702
The Importance of Public Charity Classification Under the
1969 Act 1704
IV Evaluation of Community Foundations: Current Issues and
Future Role 1706
Current Issues Involving Community Foundations 1706
The Future Role of Community Foundations in Private
Philanthropy 1709
The Community Foundation as a Prime Object of
Philanthropic Giving 1710
Development of Associations of Foundations 1710
Conversion of Private Foundations into Supporting
Foundations of Community Foundations 1710
Termination of Private Foundations into Community
Foundations 1711
V Summary and Recommendations 1711
Appendix A: Geographical Listing of Community Foundations 1713
Appendix B: Financial and Other Data on Community Foundations .. 1719
Footnotes 1721

The Charitable Foundation: Its Governance *Lawrence M. Stone* (1975) 1723

Introduction 1723
I Long-Range Strategy 1724
II Some Specific Recommendations 1726
Areas of Appropriate Government Regulation 1726
Areas in Which to Avoid Government Regulation 1726
Areas of Experimentation With Different Regulatory Approaches. . 1726
Limits on Control But Not on Size 1727
Equal Tax Treatment for Foundations and Other Charitable
Institutions 1727
III Areas of Potential Government Regulation: The Problem
of "Privateness" 1727
Solicitation of Funds 1727
Selection and Composition of the Governing Board--Donor
Control 1727
IV Private or Semigovernmental Regulation of Board
Composition and Conduct 1730
V Community Foundations: An Inappropriate Model 1732

Page

VI Limitations on Minimum or Maximum Size 1733
VII Conclusions 1733
Footnotes 1734

Part III

Corporations

Corporate Philanthropic Public Service Activities *James F. Harris* and *Anne Klepper* (1975) 1741

Foreword 1741
I Introduction 1741
  Corporate Roles and Philanthropy 1742
  Corporate Contributions, 1936-1972 1743
  Stockholder Influence 1743
  Cost to Stockholders 1743
  Survey Methodology 1745
II Leadership 1746
  Involvement of Top Corporate Leaders 1746
    The Corporation's Social Role 1747
    Most Important Philanthropies 1747
    Philanthropic Activities 1749
    Some Leadership Examples 1749
  The "Leading Edge" 1751
III The Reasons for Giving 1751
  Personal Viewpoints 1753
    The Pros 1754
    The Cons - and the Maybes 1755
IV Factors Determining Budget Levels 1756
  Industry Comparisons 1756
  Recipient of the Corporate Dollar 1759
V Public Service Activities 1759
  Costs 1759
    Administration 1762
    Company Facilities 1762
    Miscellaneous Cost Data 1762
  Areas of Corporate Involvement 1763
    United Way 1763
    Blood Banking 1764
    Coordinated Business Approaches: Economic Development Council of New York City 1764
    National Alliance of Businessmen 1765
  Ten Areas That Receive Corporate Support 1765
  Communications 1768

Page

VI Company Foundations, Taxes, and the Tax Reform Act of 1969 . . . 1768
Effects on Existence of Company Foundations . . . 1768
Effects of Specific Provisions . . . 1769
Potential Effects of Alternative Tax Changes . . . 1770
Other Factors Affecting Contributions . . . 1773
Charitable Deductions and Business Expenses . . . 1773
Charitable Contribution or Business Expense? . . . 1775
VII Management and Staffing . . . 1776
Contributions and Foundation Staff . . . 1777
Accountability and Evaluation . . . 1778
VIII Recommendations of the Business Advisory Committee . . . 1778
Leadership . . . 1779
Management and Staffing . . . 1780
Accountability and Evaluation . . . 1780
Communications and Public Disclosure . . . 1781
Diversity . . . 1781
Corporate Foundations . . . 1781
Taxes . . . 1782
Appendix . . . 1784
Related Conference Board Publications . . . 1787
Footnotes . . . 1788

Corporate Giving: Rationale, Issues, and Opportunities *C. Lowell Harriss* (1975) . . . 1789

Introduction . . . 1789
Scope of Study . . . 1789
Corporations as the Subject of this Report . . . 1790
Rules and Attitudes Affecting Contributions Are Subject to Change . . . 1790
Variety of Business Aids to Nonprofit Organizations . . . 1790
Historical Background: A Brief Sketch . . . 1791
Social Responsibility . . . 1792
I Policy Considerations of Fundamental Importance . . . 1792
". . . or to the People": The Bill of Rights and Voluntarism . . . 1793
Maintaining and Enhancing Diversity, Flexibility, and Creativity in Service Delivery Systems: Corporate Personnel and Funds . . . 1793
Preserving the Capacity of the Business World to Perform its Essential Functions . . . 1795
Business as Existing at the "Toleration" of Society: A Misplaced Argument . . . 1796
II Arguments For and Against Corporate Contributions . . . 1797
Arguments Against – or for Narrow and Limited – Corporate Giving 1797
Profits Inadequate . . . 1797

Page

Avoiding Confusion of the "Business" with Other Aspects of Social Activity 1798
Corporate Philanthropy as an Exercise of Undue Power 1798
Unreasonable Expectations 1799
Business Sticking to Business Will Provide Increasing Ability for Individuals to Finance Philanthropy 1799
Specialization 1799
Stockholder Decisions Preferable 1800
Competition Limits Ability to Contribute 1800
Doubt About Worth of Results 1800
Company Could Not Give Enough to Make Any Difference 1800
Peers and Others Not Giving More 1801
Stockholder Objections 1801
Arguments in Favor of (Larger) Corporate Giving 1801
Carrying on What Has Brought Good Results in the Past: Respecting an Obligation 1802
Voluntarism Aided by Corporate Giving 1802
Improving the "Climate" for Business 1803
Improving Community Conditions Can Help Employee Productivity 1803
Colleges and Universities Provide Training and Conduct Research 1803
Personnel from Businesses Can Supply Useful Skills 1804
Tax Interests of Shareholders Vary 1804
Building Public Respect 1804
Continuation of Contributions Practices: Commitment 1805
Diversification as a Reason for Shareholders to Support Corporate Contributions 1805
Economy in Raising Funds 1805
Externalities 1806
III Tax Considerations 1808
High Tax Rates 1808
Tax Expenditures 1808
Difference Between Personal and Corporate Contributions 1809
Self-Interest Element of Business Contributions 1810
Cost of Deductible Gifts 1811
IV The Record: Statistics and Commentary 1812
Historical Record 1812
1970 Figures 1813
Other Evidence 1815
Judging Results 1815
V Increasing Corporate Contributions 1816
How Much Might Be Expected? 1816
Profitability of Business 1818
Possibilities of Government Action 1818

Page

Raising the 5 Percent Limit 1818
Deduction of More Than the Amount of the Contribution 1819
Increasing the Value of Deduction by Corporations Not Subject to 48 Percent Rate 1819
Tax Credit 1819
Establishing a Contributions Floor 1820
Adjustments for Industries and Companies That Differ from the Average 1821
Valuation of Gifts from Inventory 1821
Actions in the Private Sector 1821
Footnotes 1822

Corporate Charitable Contributions and Corporate Social Responsibility *Milton Moskowitz* (1975) 1827

Corporate Giving Measures *Thomas Vasquez* (1975) 1839

I Development of Corporate Giving, 1935-1970 1839
II Cross-Sectional View of Corporate Giving, 1970 1843
Footnotes 1852

Corporate Charitable Contributions *R. Palmer Baker, Jr.*, and *J. Edward Shillingburg* (1975) 1853

Introduction 1853
I Corporation Law and Tax Framework 1854
Historical Background 1854
Present Corporate Law Situation 1854
Business Corporations 1854
Regulated Industries 1855
Present Tax Law 1856
II The Sources and Recipients of Corporate Contributions 1857
Rate of Giving 1857
Recipients 1858
III Company Foundations 1859
Use of Company Foundations 1859
Effect of Recent Legislation 1859
IV Other Corporate Support 1864
Gifts in Kind 1864
Personal Services 1865
V Corporate Giving: Part of Corporate Social Responsibility 1865
VI A Rationale for Corporate Philanthropy 1866
VII Recommendations 1870
Changing Concepts of Charity 1870
Corporate Law 1870

Page

Regulated Utilities 1870
Tax Considerations 1870
Appendix A: *Ohio Citizens' Council for Health and Welfare v. The Public Utilities Commission of Ohio* 1871
Appendix B: New York State Bar Association, Tax Section, *Proposals for Improvement of Rules for Allocation of Deductions Between Foreign and U.S. Source Income* 1874
Appendix C: John H. Watson, III *Biennial Survey of Company Contributions*, The Conference Board (1973) 1875
Footnotes 1903

VOLUME IV

TAXES

Part I

Exemption and Deduction

Criteria for Exemption Under Section 501(c)(3) *John P. Persons, John J. Osborn, Jr.*, and *Charles F. Feldman* (1976) 1909

Introduction and Summary of Report 1909
I Historical Origins of Section 501(c)(3) 1911
The Development of the Legal Definition of Charity in England 1912
The English Origins of Special Legal Institutions and Rules Developed to Enable Charity to Accomplish Its Objectives 1916
The English History of the Regulation of Charities to Prevent Abuses 1917
The History of the Tax Exemption of Charities in England 1919
Property Taxation 1919
Income Tax 1919
The Legal History of Charities in America 1920
The Colonial Experience 1920
The Development of Vehicles for Conducting Charitable Activities 1921
The Tradition of Exempting Charitable Organizations from Tax Under State and Local Law 1923
The History of the Exemption of Charities From Federal Taxation 1924
II Rules Applying to All 501(c)(3) Organizations 1925
Requirements Pertaining to the Founding Document and Form of Organization 1926

Page

Requirements Affecting Day-to-Day Operations of 501(c)(3) Organizations 1928
Requirements Pertaining to Legislative and Political Activities of 501(c)(3) Organizations 1929
III The Search for a Modern Definition of Charity Under Section 501(c)(3) 1932
Attempts to Define "Charity" 1933
The Evolving Nature of "Charity" 1934
Principles that Guide the Evolution of "Charity" Under Section 501(c)(3) 1938
Does the Organization Meet a Recognized Need of the Community (Or an Appropriate Segment Thereof) That Would Not Otherwise Be Met Through the Functioning of the Commercial Market 1938
Are the Means Used By the Organization to Achieve Its Charitable Purposes Reasonably Related to the Needs That the Organization Is Seeking to Meet? 1944
Does the Organization Manifest the Characteristic of Unselfish Giving Which Has Traditionally Been Associated With Charity? 1945
Is the Organization Consistent with Law and Public Policy? 1950
IV Criteria Pertaining to Religious Organizations 1951
The Definition of "Religion" or "Religious Purposes" 1952
Activities of Religious Organizations Not Related to Worship 1955
Legislative and Political Activities of Religious Organizations 1957
V Criteria Pertaining to Educational Organizations 1963
The Element of Training or Instruction 1965
Criteria for Determining Whether Training or Instruction is "Educational" 1966
The Subject Matter of Instruction 1966
The Educational Method 1967
The Requirement of Full and Fair Exposition of the Relevant Facts 1968
Ancillary Activities in Furtherance of Education 1969
Incidental Noneducational Activities of an Educational Organization 1969
Noneducational Organizations That Advance Education 1970
Limits on the Concept of Advancement of Education Under Section 501(c)(3) 1970
VI Criteria Pertaining to Scientific Organizations 1971
The Meaning of "Scientific" 1972
"Scientific Research" Under Section 501(c)(3) 1973

Page

The Exclusion of Activities Incidental to Commercial or Industrial Operations 1973
The Requirement That Scientific Research Be in the Public Interest 1973
The Scope of Scientific Activity Under Section 501(c)(3) 1976
Scientific Research and the Unrelated Business Income Tax 1977
Governmental Research 1977
Research Activities of 501(c)(3) Colleges, Universities, Hospitals, and Organizations Engaged Primarily in Carrying on Fundamental Research 1977
VII Other Exempt Purposes: Prevention of Cruelty to Children or Animals, Literary, and Testing for the Public Safety 1977
Prevention of Cruelty to Children 1977
Prevention of Cruelty to Animals 1978
Literary Purposes 1978
Testing for Public Safety 1979
VIII Business Activities of 501(c)(3) Organizations 1980
Historical Background of the Rules Relating to Business Activity 1980
Concept of Unrelated Business Activity 1981
Denial of Exemption to Feeder Organizations 1985
Cooperative Service Organizations 1985
Footnotes 1988
Appendix: *The Federal Income Tax Exemption of Charitable Organizations: Its History and Underlying Policy* Chauncey Belknap 2025

Tax Policy Relating to Environmental Activities and Public Interest Litigation *A.M. Wiggins, Jr.* and *Bert W. Hunt* (1975) 2045

Introduction 2045
I Distinction Between Section 501(c)(3) and Section 501(c(4) 2046
The Nature of the Distinction 2046
Tax Consequences of the Distinction 2046
Impact on Environmental Activities 2047
II Activities Traditionally Recognized as Charitable or Educational 2047
Federal Policy Toward Conservation of Natural Resources 2047
Traditional Private Philanthropy 2048
III Activities of More Recent Concern or Controversial Nature 2050
Federal Environmental Policy 2050
Pollution Control and Abatement 2051
Basic Policy Issues 2051
Noncharitable Tax Incentives 2052

Page

Charitable, Educational, and Scientific Activities (Other than Litigation) 2052
Acquisition of Public Land 2053
  Role of Private Organizations 2053
  The Effect of Uncertainties 2054
  Tax Status of Gains on Resale 2054
  Tax Status of Income From Excess Land and Commercial Property 2055
  Tax Status of Consulting Fees 2055
  Effect of Charitable Activity on Market Prices 2056
Charitable Contributions Deductions for Gifts of Scenic Easements 2056
  Meaning of "Scenic Easement" 2056
    The holder of the benefit 2056
    The nature of the benefit 2056
    Alternative legal forms 2057
  Deductibility of Gifts of Scenic Easements 2057
  Issues and Problems With Respect to Scenic Easements 2058
    Should contributions of scenic easements be deductible? 2059
    Distinctions between income tax deductions and gift and estate tax deductions 2060
    Administrative problems 2061
IV Public Interest Litigation 2061
Environmental Litigation Illustrated – the TAPS Case 2062
  Background 2062
  Litigation 2063
  Executive Action 2063
  Return to the Courts 2064
  Congressional Resolution 2064
  Legal Fees 2066
  Observations 2067
Examination of Public Interest Litigation 2068
  The Problem of Identifying Charitable Litigation 2069
  The Primary Policy Issue 2069
  Criteria and Rules for Identifying Public Interest Litigation 2070
    The IRS guidelines 2070
    "Public interest" defined 2071
    Proposed criteria and rules 2072
    Who is to select public interest litigation? 2075
    Relief to be sought 2077
  Collection of Attorneys' Fees 2078
    Fundamental Considerations 2078
    Analogy to schools and hospitals 2082

Page
From whom would fees be collected? 2082
Determining the amounts of legal fees 2085
Recent IRS action and summary of policy questions 2085
V Discussion Draft of Criteria and Rules for Determining Public Interest Litigation 2089
Three Basic Criteria 2089
Applicable Rules 2089
Application of the Criteria 2089
Organizational Rules 2090
Operational Rules 2090
Attorneys' Fees 2091
Footnotes 2093

An Analysis of the Federal Tax Distinctions Between Public and Private Charitable Organizations *Laurens Williams* and *Donald V. Moorehead* (1975). 2099

Introduction 2099
I Development of Statutory Distinctions Between Public and Private Charitable Organizations 2100
Early Revenue Acts 2100
Revenue Act of 1950 2101
Internal Revenue Code of 1954 2102
Revenue Act of 1964 2103
The Tax Reform Act of 1969 2103
Antecedent Studies 2104
The Walsh Commission 2104
Cox Committee 2104
Reece Committee 2105
Patman Investigations 2105
Treasury Department Report on Private Foundations 2105
Peterson Commission 2107
An Overview of the 1969 Changes 2108
Charitable contributions 2108
Tax on investment income 2108
Self-dealing 2108
Minimum distribution requirements 2109
Excess business holdings 2109
Speculative investments 2109
Taxable expenditures 2109
Annual reports 2109
Scope of Private Foundation Definition 2110
II Analysis of the Reasons Prompting Current Statutory Distinctions Between Public and Private Charities 2111

Page

Deductibility of Contributions 2112
Tax on Investment Income 2113
Annual Public Reports 2115
Restrictions on Financial Practices and Programs 2116
  Restrictions on Self-Dealing 2116
  Minimum Distribution Requirements 2117
  Excess Business Holdings 2118
  Restrictions on Speculative Investments 2118
  Restrictions on Program Activities 2119
    Attempts to Influence Legislation 2119
    Influencing Elections 2120
    Restriction on Grants to Individuals and to Other Private Charities 2120
III Findings and Recommendations 2120
General Comments 2120
Areas of Questionable Distinctions 2121
Areas in Which Distinction May Be Appropriate 2122
  Possible Bases for Distinction 2122
    Type of organization 2122
    Public support 2123
    Functional test 2123
    Public control 2123
  Application to Specific Areas 2123
IV Conclusions 2124
Footnotes 2124

The Charitable Deduction Under Section 170 of the Internal Revenue Code *John A. Wallace* and *Robert W. Fisher* (1975) 2131

Introduction 2131
Original Justification for the Charitable Deduction 2131
Overview of the Statutory Scheme 2132
I Definition of Charitable Contribution 2133
Statutory Definition 2133
  Governmental Units 2133
  Charitable Corporations, Trusts, Community Chests 2134
  Posts or Organizations of War Veterans 2134
  Domestic Fraternal Societies, Orders, or Associations Operated Under the Lodge System 2134
  Cemetery Companies 2135
  Amounts Paid to Maintain Certain Students as Members of Taxpayer's Household 2135
Publication 78 2135
II Partial and Split-Interest Transfers 2136
Remainder Interests in Trust 2136
Income Interests in Trust 2138
Transfers of Partial Interests 2139

Page

III Amount of Contributions: Appreciated Property Rules 2140
Development of Reduction Rules 2140
Contributions of Ordinary Income Property 2141
Contributions of Unrelated Use Tangible Personal Property 2142
Other Problems 2143
IV Amount of Deduction: Percentage Limitations 2145
The Limitations in General 2145
Capital Gain Property Limitation 2146
Interrelationship of Limitations 2148
Carryover Rules 2149
V Bargain Sales 2151
Interaction with Percentage Limitations 2152
Exchanges 2152
Interaction with Reduction Rules 2153
Charitable Transfers in Exchange for Annuities 2153
Charitable Transfer Subject to or in Exchange for the Donee's Assumption of Debt 2154
VI Conclusion 2154
Footnotes 2155

Personal Deductions in an Ideal Income Tax *William D. Andrews* (Harvard Law Review reprint, 1972) 2163

I An Ideal Personal Income Tax 2167
The Meaning of Personal Income 2167
  Money Income 2168
  Income as Compensation for Services or Use of Capital 2168
  Income as Accretion 2169
  Income as Consumption Plus Accumulation 2169
The Purpose of a Personal Income Tax 2172
The Strategy of Personal Income Taxation 2173
The Role of Personal Deductions 2175
II The Medical Expense Deduction 2176
The Case for Excluding Medical Services from Personal Consumption as a Component of Taxable Income 2177
A Closer Look at Distribution Implications 2179
  Vertical Equity 2179
  Horizontal Equity at Low Income Levels 2180
Allocation Effects 2181
III The Charitable Contribution Deduction 2183
Alms for the Poor 2184
  The Problem of Ordinary Gifts 2185
  The Problem of Imputed Income 2187
  Consumption as Power 2188
  The Pleasure of Giving 2189

Page

Philanthropy More Broadly Defined 2189
- Taxing the Recipient on the Value of Services Provided by Charities 2190
- Taxation of Charitable Contributions as a Proxy for Taxing Benefits 2192
- Taxing the Contributor in his Own Right 2193
- Neutrality with Respect to Expenditure Choices 2196
- Philanthropy from a Community Perspective 2196

Charity by the Idle Rich 2198
- Contributions Out of Investment Income 2198
- Unrealized Capital Appreciation 2199
- Realized Capital Gains 2199
- Contributions Out of Accumulated Wealth Generally 2200
- Conclusion 2200

IV Summary and Implications 2200
- Uses and Sources of Income 2201
- Business and Household Activities 2203
- Consumption and Accumulation 2204

Footnotes 2206

Explanation and Analysis of Split-Interest Gifts to Charity *Theodore A. Kurz* and *Barbara P. Robinson* (1974) 2221

Introduction 2221

I Charitable Remainder Trusts in General 2222
- Charitable Remainder Annuity Trusts 2224
- Charitable Remainder Unitrusts 2224

II Charitable Gift Annuities 2225

III Pooled Income Funds 2228

IV Charitable Lead Trusts 2229

V Remainder Interests in Personal Residences or Farms 2231

VI An Undivided Portion of the Donor's Entire Interest in Property 2232

VII Charitable Gifts of Life Insurance 2233

VIII Valuation of Split-Interest Gifts to Charity 2234
- The Effects of Revising the Six Percent Tables 2235
- Why Different Types of Split-Interest Gifts of Money Can Produce Different Sized Deductions 2235

IX Issues Relating to Split-Interest Gifts to Charity 2237
- The Propriety of the Tax Treatment of Split-Interest Gifts to Charity 2237
- The Valuation of Split-Interest Gifts to Charity 2238
  - Six Percent Tables 2238
  - Differences in Valuation for Various Types of Split-Interest Gifts 2239

Page

The Annual Five Percent Minimum Noncharitable Payout for Charitable Remainder Trusts 2240
Inconsistencies Among Various Types of Split-Interest Gifts 2240
  Investment in Tax-Exempt Securities 2240
  Gift Annuities Versus Charitable Remainder Annuity Trusts 2241
General Thrust and Effect of the 1969 Tax Reform Act on Split-Interest Trusts; The Need for Transitional Relief 2241
Footnotes 2244

Part II

Appreciated Property Deduction

Legal Aspects of Charitable Contributions of Appreciated Property to Public Charities *Harry K. Mansfield* and *Ronald L. Groves* (1975) 2251

Introduction 2251
I The Present Rules and Their Evolution 2251
  Pre-1969 History 2251
  Tax Reform Act of 1969 2252
    In General 2252
    Contributions of "Ordinary Income Property" 2252
      Enactment of section 170(e)(1)(A) 2252
      Scope of section 170(e)(1)(A) 2253
      Special categories of ordinary income property 2254
    Contributions of "Capital Gain Property" 2255
      Section 170(e)(1)(B) 2255
      "Unrelated Use" 2256
      Gifts to foundations 2257
    Bargain Sales 2257
      In general 2257
      Interaction of sections 1011(b) and 170(e)(1) 2258
      Special problems 2258
    The Thirty Percent Limitation 2259
II Some Legislative Alternatives to the Treatment of Appreciated Property 2260
  Retention of Existing Basic Framework with Specific Modifications 2260
    In General 2260
    Possible Areas of Modification 2261
  Return to Fair Market Value Standard 2261
  Limitation of the Deduction to Cost in the Case of All Appreciated Property 2261
  Reduction of the Deductible Amount by a Uniform Percentage of Appreciation in the Case of All Appreciated Property 2262

Page

Return to Fair Market Value Standard but with Tax on Amount of Appreciation as if Property Sold and Proceeds Contributed 2263
Inclusion of Appreciation in the Minimum Tax in Year of Contribution 2263
Retention of Present Reduction Rules with Increase in Holding Period for Long-Term Capital Gain Treatment 2263
III Theoretical and Policy Considerations 2264
Comparative Treatment of Transfers of Appreciated Property 2264
Alternatives for the Donor 2265
Gift of Cash 2265
Gift of Net Proceeds Following a Sale 2265
Retention of Property or Proceeds of Sale 2265
Other Gratuitous Transfers 2266
Summary 2266
Views of Some Tax Professors 2266
The Effect of the Deduction as an Inducement 2267
Footnotes 2268

A Pro-Charity Substitute for the Present Law Tax Treatment of Appreciated Property Contributed to Charity *Gerard M. Brannon* (1975) 2273

Part III

Volunteer Services

Treatment of Volunteer Services and Related Expenses Under the Internal Revenue Code *Edmund C. Bennett* (1976) 2287

I History of the Rule 2287
II The Distinction Between Property and Services 2288
Criteria to be Used in Making the Distinction 2289
Factors Limiting the Effectiveness of the Criteria 2291
III Availability of a Deduction for Expenditures 2291
The Rule in General 2291
Factors to be Considered 2293
The Effectiveness of the Deduction 2294
Footnotes 2294

Part IV

Estate and Gift Taxes

Estate Tax Deduction for Charitable Benefits: Proposed Limitations *John Holt Myers* (1975) 2299

Page

Introduction 2299
I History and Purposes of Estate Tax Deduction 2299
Importance of Bequests 2301
The Deduction as an Incentive to Charitable Bequests 2301
II Criticisms and Evaluation of Estate Tax Deduction 2302
Criticisms 2302
The Charitable Deduction and the Objectives of the Estate Tax Statute 2304
The Charitable Deduction as an Incentive to Support of Charitable Organizations 2304
Effect of Changes in the Estate Tax Deduction 2305
III Conclusions 2306
Appendix A 2307
Appendix B: Foundation Grant Study 2308
Appendix C: Summary of Foundation Center Study 2311
Appendix D 2313
Footnotes 2317

Dimensions of Charitable Giving Reported on Federal Estate, Gift, and Fiduciary Tax Returns *Emil M. Sunley, Jr.* (1975) 2319

Summary of Data 2319
I Estate Tax Returns 2320
Time Series Data 2321
Charitable Bequests by Size of Total Estate 2321
Charitable Bequests in Excess of Designated Percentages of Economic Estates 2321
Charitable Bequests by Type of Recipient 2327
II Gift Tax Returns 2327
Time Series Data 2328
Charitable Gifts by Size of Total Gifts Before Splitting 2328
III Fiduciary Income Tax Returns 2328
Footnotes 2336

Death, Taxes, and Charitable Bequests: A Survey of Issues and Options *Richard E. Wagner* (1974) 2337

Introduction 2337
I Is the Charitable Deduction a Form of Governmental Subsidy? 2338
The Charitable Deduction as a Tax Expenditure 2338
Policy Alternatives to the Charitable Deduction 2339
A Ceiling on Deductibility 2339
A Tax Credit for Charitable Bequests 2340
A Matching Grant to Charitable Organizations 2341
In Support of the Charitable Deduction 2342

Page

II Constructive Realization of Capital Gains Upon Death 2344
III The State and the Support of Private Philanthropy 2346
IV Concluding Summary 2349
Footnotes 2350

Proposed Limitations on the Estate Tax Deduction for Charitable Transfers *David Westfall* (1974) 2353

Introduction 2353
I Performance of Governmental Functions 2353
II Performance of Public Functions that Government Would Not Undertake 2354
III Fairness to Transferors (or Their Beneficiaries) 2355
IV Incentive Effects 2355
Footnotes 2358

Part V

Alternatives to Tax Incentives

Alternative Approaches to Encouraging Philanthropic Activities *Gerard M. Brannon* and *James Strnad* (1975) 2361

Introduction 2361
I A Classification of Alternative Approaches to Encouraging Nonprofit Activities 2362
  Education 2363
  Medical Service Organizations 2363
  Religious Organizations 2363
  Welfare Activities 2364
  Artistic Activities 2365
  Basic Research Activities 2366
II Evaluation of Noncontribution Alternatives 2366
  General 2366
  Education 2368
    Evidence of Overt Contributor Influences 2368
    Evidence of Covert Influences 2370
    Locality Effects 2372
    Alternatives to Contribution Subsidies 2373
  Medical Services Charities 2374
    Aspects of the Present System of Tax Deductible Contribution Funded Health Charities 2374
    Client Payment Subsidy Alternatives 2377
    Alternatives to Contribution Subsidies for Medical Research and Facilities 2378
  Welfare Activities 2378
    Relief to the Poor 2378

Page

Relief for Special Circumstances 2379
Disaster Relief 2380
Supplemental Military Programs 2380
Foreign Aid 2381
Arts 2381
Performing Arts 2381
The Plastic Arts 2381
III The Political Problem 2382
IV The Relative Costs of Alternative Arrangements to Subsidize Nonprofit Activities 2383
V In Lieu of a Conclusion 2385
Footnotes 2385

A Tax By Any Other Name: The Donor Directed Automatic Percentage Contribution Bonus, A Budget Alternative for Financing Governmental Support of Charity *David A. Good and Aaron Wildavsky* (1975) 2389

Introduction 2389
I Budget Alternatives 2391
II Proposals, Criteria, and Consequences 2394
Tax Write-off 2396
The Tax Credit 2399
Percentage Contribution Bonus 2400
Sliding Matching Grant 2405
III What Difference Does the Government Subsidy Make? A Sensitivity Analysis 2406
IV How Much of Which Problems Are We Prepared To Live With? A Criteria Analysis 2407
Perspectives: Donors, Charitables, Government 2409
Trade-Offs 2409
V Political Feasibility 2411
VI Testing the Percentage Contribution Bonus 2414
Footnotes 2415

Study of Federal Matching Grants for Charitable Contributions *Paul R. McDaniel* (1975) 2417

Summary 2417
I General Description of Matching Grant System 2418
Lifetime Gifts to Charity 2418
Testamentary Transfers to Charity 2419
II Analysis of Reasons For and Against Change From Tax Deduction System to Direct Matching Grant System 2420
Reasons for Change 2420
The Direct Matching Grant System Will Provide a More Equitable System of Expending Federal Funds for Charity 2420

Page

Equity from a tax viewpoint 2420
Equity from an expenditure program viewpoint 2421
Equity under the direct matching grant system 2425
The Direct Matching Grant System Will Enchance Pluralism and the Dispersion of Power Over Federal Funds 2429
The Direct Matching Grant System is More Effectively Targeted to Charitable Giving than the Income Tax Deduction 2430
The Direct Matching Grant System Provides a More Rational Framework Within Which to Determine the Amount of Federal Aid of Charity 2431
The Direct Matching Grant System Will Provide an Efficient Incentive to Donors to Give a Larger Percent of Their Income to Charity 2434
General comments on efficiency as a factor in evaluating the deduction and the matching grant system 2435
Economists' views of the efficiency of the income tax deduction 2435
Survey data 2442
Income elasticities 2443
Implications of studies for matching grant system 2444
Objections to Change and Responses Thereto 2445
The Direct Matching Grant Program Contains Its Own Equity Problems 2445
The wealthy control too much of the federal funds ... 2445
The notch effect 2447
The Use of a Ceiling on the Matching Grant System Reduces the Effectiveness of the Proposal as an Incentive 2448
The Proposed Direct Matching Grant System Will Involve Too Much Federal Control Over Charitable Organizations .. 2449
Donors Will Reduce Their Giving to Charity Because of Repeal of the Deduction 2449
Some Types of Charitable Institutions Will Suffer Reductions in Funds Received Relative to Other Kinds of Charitable Institutions 2450
The Direct Matching Grant System Creates Too Many Administrative Problems To Be Feasible 2450
The Proposed Direct Matching System Is Unconstitutional Because Direct Grants Would Be Made to Religious Organizations 2450

Page

III Effects of Change On Donors 2450
Effect of Repeal of Deduction Alone on Private Giving 2450
General Effect of Repeal of Deduction Coupled With Simultaneous Institution of Matching Grant System 2451
Estimates of Donor Responses Under Direct Matching Grant System 2453
Progressive Matching Grant Schedule 2454
Flat Matching Grant Schedule 2458
Comparison of Progressive Matching Grant and Flat Matching Grant 2458
Special Problem of Appreciated Property 2460
Conclusions as to Effect of Change on Donors 2462
IV Effects of Change On Donees 2462
Aggregate Effects on Charitable Organizations 2462
Effects on Particular Types of Charitable Organizations 2463
General 2463
Progressive Matching Grant 2467
Flat Matching Grant 2471
Comparison of Progressive Matching Grant and Flat Matching Grant 2471
V Administration of Matching Grant System 2472
Definitional Problems 2472
Progressive Matching Grant Method 2472
Flat Matching Grant Method 2474
Bunched Contributions: Averaging Problems 2475
Reporting of Donations 2477
Progressive Matching Grant Method 2477
Flat Matching Grant Method 2478
Disbursement of Funds 2478
Audit 2479
Compliance 2480
Transition Rules 2480
Treatment of Tax Deduction Carryovers 2480
Gradual Implementation of Matching Grant System 2481
VI A Matching Grant In Lieu Of Estate and Gift Tax Deductions For Contributions To Charity 2483
Introduction 2483
History and Present Structure of the Estate and Gift Tax Provisions 2483
The Function of the Charitable Deduction in the Estate and Gift Tax System 2484
Reasons For and Against Changes in the Present System 2485
Tax Equity 2485
Equity as an Expenditure Program 2485
Rationality of Appropriations Process 2487

Page

Efficiency of the Estate Tax Deduction for Charitable Bequests 2487
Proposal For a Matching Grant System 2488
Progressive Matching Grant 2488
Flat Matching Grant 2489
Gift Tax Aspects 2489
Effects of Introduction of the Matching Grant Proposal 2489
Equity Aspects 2489
Impact on Donors and Donees 2490
Special Problems in the Estate and Gift Tax Matching Grant System 2491
Relative Incentive for Lifetime versus Death-Time Giving 2491
Treatment of Transfers Subject to Both the Gift and the Estate Tax 2491
VII Federal Financial Aid To Charity: Constitutional Issues 2492
Introduction 2492
Historical Background 2492
The Supreme Court's Tests in First Amendment Religion Cases 2494
Tax Expenditures versus Direct Expenditures: Are the Constitutional Tests the Same? 2496
Functional Equivalence 2496
Constitutional Arguments Based on the Function of the Charitable Deduction in the Federal Income Tax System . . 2500
Traditional analysis of the charitable deduction as a tax expenditure or tax incentive 2500
Minority view of deduction 2502
Conclusion 2503
The Constitutional Status of Direct Federal Financial Aid to Charitable Organizations, Including Religious Institutions 2503
Secular Legislative Purpose 2504
Primary Effect 2505
Excessive Entanglement With Religion 2508
Conclusion 2511
Appendix A: Note on Economic Theories of Sacrifice 2511
Appendix B: Note on Refundable Tax Credit 2513
Footnotes 2514

Page

Part VI

Property Tax

The Exemption of Religious, Educational, and Charitable Institutions from Property Taxation *L. Richard Gabler* and *John F. Shannon* (1975) 2535

Summary of Findings 2535
- I Current Magnitudes and Trends 2536
  - Summary of Previous Studies 2536
    - Exempt Property in Selected States 2538
    - Types of Exemptions for Religious, Educational, and Charitable Organizations 2542
- II The Property Tax Exemption Debate 2542
  - The Case for Exemptions 2542
  - The Case Against Exemptions 2544
- III Property Tax Exemptions: Intergovernmental Issues 2546
  - Causes of Public Concern 2547
    - Unpopularity of Property Tax 2548
    - Height of the Property Tax 2551
    - Increased Information 2554
- IV Alternative State Options 2555
  - Fiscal Alternatives 2555
    - State Reimbursement Via In-Lieu Payments 2555
    - State Authorization of Service Charges or In-Lieu Payments 2558
  - Administrative Alternatives 2561
    - Periodic or Annual Renewal 2561
    - Local Option, With State Safeguards 2561
    - Systematic Assessment and Publication of Findings 2562

Footnotes 2563
Bibliography 2564

VOLUME V

REGULATION

Part I

Regulation

Federal Oversight of Private Philanthropy *David Ginsburg, Lee R. Marks* and *Ronald P. Wertheim* (1975) 2575

Introduction 2575
- I Overview and Summary of Recommendations 2576

Page

- The Rationale for Government Oversight of Philanthropy 2576
- Touchstones in Considering the Federal Oversight Role 2577
- Summary of Recommendations 2578
- II The Internal Revenue Service 2581
- Statutory Framework 2581
- Organization of Internal Revenue Service 2583
  - General 2583
  - Exempt Organizations 2584
- Determinations of Exempt Status 2585
  - Substantive Analysis 2586
  - Initial Determinations 2592
    - District Level 2592
    - National Office: Exempt Organizations Branch, Technical 2595
    - National Office: Office of the Chief Counsel 2598
  - Revocation and Modification 2599
- Advance Rulings on Proposed Transactions 2602
- Compliance Functions 2604
  - Organization of Compliance Activities 2604
    - National Office Audit Division 2604
    - Field Level 2606
  - Incidence and Results of Exempt Organization Audits 2610
- Independence and Objectivity 2613
  - The Service's Record 2614
  - Relevant Organizational Factors 2618
- Coordination with State Authorities 2619
- III Effect of the New Assistant Commissioner 2620
- The Statutory Changes 2620
- Effect on the Organizational Structure of Exempt Organization Administration 2622
  - National Level 2622
  - District and Regional Levels 2627
- IV Philanthropy and the Civil Service Commission, Postal Service, and Agency for International Development 2631
- Civil Service Commission 2631
  - Eligibility Standards 2631
  - Specific Requirements 2633
  - Comments 2634
- Postal Service 2635
  - Reduced Rate Classes 2635
  - Eligibility Standards 2636
  - Eligibility Determination and Appeal Procedure 2637
- Agency for International Development's Advisory Committee on Voluntary Foreign Aid 2638

Page

V Alternatives to the Internal Revenue Service as the Federal Oversight Agency 2640
Proposals for a National Commission on Philanthropy 2640
Evaluation 2642
VI Federal Regulation of Interstate Fund Raising 2644
The Need for Federal Regulation 2644
The Current Role of the Internal Revenue Service 2646
Audits 2646
Disqualification for Excessive Fund-Raising Costs 2646
Public Information 2647
Public Warnings 2647
Pending Proposals for Federal Legislation 2648
H.R. 1123 2648
Truth in Contributions Bill 2649
Some Comments on These Proposals 2652
A Recommendation for Federal Regulation of Charitable Solicitations and Professional Fund Raisers 2653
Location of the New Agency 2653
Scope of the Disclosure Regulation 2654
Nature of the Disclosure Regulation 2656
What Should the Solicitation Statement Disclose 2656
Accounting Standards 2656
Anti-Fraud Provisions 2657
Remedies and Enforcement 2658
Registration of Professional Fund Raisers 2658
VII Judicial Remedies 2658
Equity Enforcement Powers 2658
Judicial Review of Adverse Status Determinations 2660
VIII Recommended Administrative Actions Within the Service 2661
Dissemination of Data on Philanthropy 2661
The Need for Data on Philanthropy 2661
Categories of Data Needed 2662
The Service's Role 2664
Specific Administrative Actions 2664
Status Determination and Rulings 2664
Compliance Procedures and Practices 2665
Personnel and Training 2665
Public Informaton 2666
Organizational Structure 2666
Appendix 2667
Footnotes 2668

Page

Judicial Remedies and Related Topics *Adam Yarmolinsky* and *Marion R. Fremont-Smith* (1975) 2697

I Improving the Judicial Remedies for Correcting Abuses and Determining Exempt Status 2698
II Private Benefit 2699
III Speculation 2701
IV Solicitation 2702
Uniform Accounting and Full Disclosure to Internal Revenue Service 2703
Availability of Information 2703
Federal Trade Commission 2703

The Status of State Regulation of Charitable Trusts, Foundations, and Solicitations *Office of the Ohio Attorney General* (1974) 2705

Introduction and Summary Findings 2705
Charitable Trusts and Foundations 2705
Charitable Solicitations 2707
Specific Recommendations 2708
Charitable Trusts and Foundations 2708
Charitable Solicitations 2709
I The Regulation of Charitable Trusts and Foundations 2710
The Common Law Power of the Attorney General with Respect to Charities 2710
Comparative Analysis of State Charitable Trust and Foundation Statutes 2712
The Office of the Attorney General 2726
Federal-State Relationships 2733
Reporting Requirements 2733
Publicity of Information Required from Certain Exempt Organizations and Certain Trusts Under IRC §6104(c) 2734
Abuses in the Administration of Charitable Trusts and Foundations 2736
The Feasibility of Uniform Charitable Trust and Foundation Legislation 2742
II The Regulation and Supervision of Charitable Solicitations 2752
Comparative Analysis of Charitable Solicitation Statutes and State Regulatory Agencies 2752
Analysis of The Model Solicitations Act and Proposed Revisions 2763
The Religious Organization Issue 2771
Appendix A: Selected Citations to Cases From Twenty-Three Jurisdictions Holding That the Attorney General Retains His Common Law Powers 2773

Page

Appendix B: Selected Citations to Cases From Twenty-Eight Jurisdictions Recognizing the Attorney General's Common Law Power to Enforce Charities 2774
Footnotes 2776

Self-Regulation in Private Philanthropy *Peter G. Meek* (1974) 2781

Introduction 2781
I Self-Regulation in Philanthropy: Overview and Selected Examples of Private Efforts with Regulatory Potential 2781
 Standard-Setting and Accreditation 2782
 Accreditation and the Role of the Federal Government 2783
 Standard-Setting to Guide and Encourage Public Support 2784
 Standard-Setting Within Single Organizations 2784
  The Advertising Council 2785
  The National Council on Philanthropy 2786
 Contributor Protection at the Community Level 2786
 Self-Regulation of Fund Raisers 2787
  National Society of Fund Raisers, Inc. 2787
  National Association for Hospital Development 2788
  American Association of Fund-Raising-Council, Inc. 2788
II The Ad Hoc Committee (1959-1961) 2789
 Background 2789
 Action on Recommendation for a National Commission on Voluntary Health and Welfare Agencies 2792
 Action on Recommendation for Development of Uniform Accounting and Financing Reporting for Voluntary Agencies 2801
  Development and Publication of the Standards 2804
  Implementation of the Standards 2804
  Establishment of Ongoing Promotion and Supervision of Public Financial Reporting 2805
 Other Outcomes of the Report of the Ad Hoc Committee 2808
III The National Information Bureau 2809
IV Council of Better Business Bureaus: Philanthropic Advisory Department 2815
V United Way of America: Committee on National Agency Support 2817
 Committee on National Agency Support (CONAS) 2819
 National Budget and Consultation Committee (NBCC) 2821
 National Agency Review Board (NARB) 2823
 Standard-Setting by Local United Way Organizations 2824
VI The National Health Council: Membership Standards Program for Voluntary Health Organizations 2825
VII National Accreditation Council for Agencies Serving the Blind and Visually Handicapped 2829

Page

VIII Self-Regulation in Private Philanthropy Other Than Voluntary Health and Welfare Organizations 2832
Council on Foundations 2833
Joint Commission on Accreditation of Hospitals 2836
Self-Regulation in Higher Education 2838
American Association of Museums 2840
IX Issues in Self-Regulation for Consideration by the Commission on Private Philanthropy and Public Needs 2842
General Observations 2842
Issues for the Commission 2844
Appendix A: Better Business Bureau Standards for Charitable Solicitations 2846
Appendix B: National Budget and Consultation Committee Standards for National Voluntary Health, Welfare, and Recreation Agencies 2850
Appendix C: List of Organizations Described in Report 2854
Footnotes 2855

Preserving the Private Voluntary Sector: A Proposal for a Public Advisory Commission on Philanthropy *Adam Yarmolinsky* and *Marion R. Fremont-Smith* (1976) 2857

A Study of the Inadequacies of Present Financial Reporting by Philanthropic Organizations *Accounting Advisory Committee* (1974) . . 2869

Introduction 2869
Importance of Meaningful Financial Statements 2869
Authoritative Pronouncements 2869
Scope of Study 2870
Summary of Conclusions and Recommendations 2871
I Financial Reporting for Philanthropic Organizations 2872
Present Financial Statements are Difficult to Comprehend 2872
Present Accounting and Reporting Practices Are Subjective and Varied 2872
A Single, Uniform Set of Accounting Principles Should Be Adopted 2873
Recommended Accounting Principles and Reporting Concepts . . . 2876
Summary 2877
II Federal and State Regulatory Reporting 2883
Jurisdictions Have Different Reporting Requirements 2883
Usefulness of Financial Information in State Reports 2883
Usefulness of Financial Information in Federal Reports 2883
Recommended Standard Accounting Report (SAR) 2884
Advantages of the SAR 2884
Arguments Against the SAR 2888
Summary 2888

Page

The Fund-Raising Percent As a Quantitative Standard for Regulation of Public Charities, With Particular Emphasis on Voluntary Health and Welfare Organizations *Arthur Jack Grimes* (1975) 2889

Introduction 2889
I Findings and Recommendations 2891
II Measuring Productivity by a Fund-Raising Percentage 2895
  Perspective 2895
  Technical Influences 2897
  Situation Influences 2897
  Management Influences 2898
  Identity Influences 2906
III Overview 2907
Appendix A: Sample of Health and Welfare Organizations Registered in New York State 2907
Appendix B: Choice of a Base for Comparing Fund-Raising Cost Percentages 2908
References 2912

Deductions for Lobbying by Public Charities: Constitutional Issues, Public Policy, and the Tax Reform Act of 1976 *Editor's Note* 2915

Legislative Activities of Charitable Organizations Other Than Private Foundations, With Addendum on Legislative Activities of Private Foundations *Pepper, Hamilton & Sheetz* 2917

I Summary of Present Law 2917
  Section 501(c)(3) 2917
  Regulations: Section 1.501(c)(3)-1 2917
  Case Law 2918
  Section 162(e) 2919
II Summaries of Arguments 2919
  Major Arguments in Favor of Corrective Legislation 2920
    Uncertainty of Present Law Should Be Corrected 2920
    Charities Should Be Heard From by Governmental Bodies (Federal, State, and Local)—Both Volunteer Members and Staff 2920
    Charities Should Be Allowed Basically the Same Rights As Trade Associations 2921
    The Right to Communicate with Members is Critical to the Proper Functioning of Most Charities 2922
  Major Arguments Against Corrective Liberalizing Legislation 2923
    The Right to Lobby Should Be Restricted Rather than Increased 2923
    Although it Might Well Be That the Law Should Be Clarified, the Clarification Should Not Result in Charities Being Allowed Additional Rights 2923

Page

There is No Need for Change: This Is One Area of the Law in Which Vagueness is an Attribute 2924
Major Arguments In Favor of Careful Restriction of Any Corrective Legislation 2924
The Right to Lobby Directly Should Be Severely Restricted (Though Allowed Under More Definite Rules Than at Present)–Otherwise There Would Be Available a Gigantic "Slush Fund" for Charitable Lobbying 2924
The Right to Deal With Members Should be Restricted, for Fear of "Grass Roots" Lobbying 2924
Any New Legislation Should be Carefully Structured to Impose Narrow Limits on "Grass Roots" Lobbying . . . 2925
Public Charities That Lose Their Section 501(c)(3) Exemption Should Not Be Allowed to "Walk Away" With a Large Endowment Created With Tax Deductible Dollars . 2925
Areas of Apparent Agreement 2925
Areas of "Self Protection"–Analogy to Provision for Private Foundations 2925
Providing Technical Advice to Governmental Bodies 2925
Making Available Research Results 2925
Influencing Elections 2926
III Recent Legislative Proposals 2926
IV Conclusion 2928
V Recommendations: Legislative Activities of Charitable Organizations Other Than Private Foundations 2929
Appendix A: Text of H.R. 13720, H.R. 5095 and H.R. 12037 2931
Appendix B: Legislative Activities of Private Foundations 2940
Footnotes 2942

Limitations on Lobbying by Charitable Organizations *An Analysis Prepared for the Commission on Private Philanthropy and Public Needs* (1977) 2945

I Background: Recent Legislative and Litigating Activity 2945
II The Statutory Framework 2946
III No Preference For Business Lobbying in Present Law 2948
IV Constitutionality: The Doctrine of Unconstitutional Conditions 2949
V Constitutionality: Equal Protection 2953
VI Constitutionality: Vagueness 2956
VII Constitutional Questions Raised by Allowing Deductions for Personal-Choice Lobbying 2959
VIII Public Policy Issues 2962
Footnotes 2965

Page

Part II

Foreign Practices

Overview of Governmental Support and Financial Regulation of Philanthropic Organizations in Selected Nations *Arthur Andersen & Co.* (1975) 2975

Introduction 2975
- I Australia 2977
  - Scope of Activities of Private Philanthropic Organizations 2977
  - Tax Incentives 2977
  - Matching Grant Programs 2977
  - Financing of Charities 2978
  - Taxation of Charitable Organizations 2978
  - Administrative and Governmental Control 2978
  - Special Rules Applicable to Religious Groups 2979
- II Canada 2979
  - Scope of Activities of Private Philanthropic Organizations 2979
  - Tax Incentives 2979
  - Matching Grant Programs 2980
  - Financing of Charities 2980
  - Taxation of Charitable Organizations 2980
  - Administrative and Governmental Control 2980
  - Special Rules Applicable to Religious Groups 2981
- III England 2981
  - Scope of Activities of Private Philanthropic Organizations 2981
  - Tax Incentives 2981
  - Matching Grant Programs 2982
  - Financing of Charities 2982
  - Taxation of Charitable Organizations 2982
  - Administrative and Governmental Control 2983
  - Special Rules Applicable to Religious Groups 2983
- IV France 2984
  - Scope of Activities of Private Philanthropic Organizations 2984
  - Tax Incentives 2984
  - Matching Grant Programs 2984
  - Financing of Charities 2984
  - Taxation of Charitable Organizations 2984
  - Administrative and Governmental Control 2985
  - Special Rules Applicable to Religious Groups 2985
- V West Germany 2985
  - Scope of Activities of Private Philanthropic Organizations 2985
  - Tax Incentives 2986
  - Matching Grant Programs 2986
  - Financing of Charities 2986

Page

Taxation of Charitable Organizations 2987
Administrative and Governmental Control 2987
Special Rules Applicable to Religious Groups 2987
VI Italy 2988
Scope of Activities of Private Philanthropic Organizations 2988
Tax Incentives 2988
Matching Grant Programs 2988
Financing of Charities 2989
Taxation of Charitable Organizations 2989
Administrative and Governmental Control 2989
Special Rules Applicable to Religious Groups 2989
VII Japan 2990
Scope of Activities of Private Philanthropic Organizations 2990
Tax Incentives 2990
Matching Grant Programs 2990
Financing of Charities Organizations 2990
Taxation of Charitable Organizations 2991
Administrative and Governmental Control 2991
Special Rules Applicable to Religious Groups 2991
VIII Sweden 2992
Scope of Activities of Private Philanthropic Organizations 2992
Tax Incentives 2992
Matching Grant Programs 2992
Financing of Charities 2992
Taxation of Charitable Organizations 2993
Administrative and Governmental Control 2993
Special Rules Applicable to Religious Groups 2993

Taxation and Philanthropy in Canada *R. M. Bird* and *M. W. Bucovetsky* (1975) 2995

Introduction 2995
I The Dimensions of Private Philanthropy in Canada 2996
Individual Donations 2997
Corporate Donations 2999
Charitable Bequests 3000
Foundations 3001
II Tax Measures Explicitly Related to Philanthropy 3004
The Charitable Deduction 3004
Tax Treatment of Gifts of Appreciated Property 3009
The Exemption of Charitable Bequests 3012
Attitudes Towards Philanthropy 3013
III Capital Gains Taxes and Death Taxes 3015
The Debate on Capital Gains 3015
Death Taxes: A Casualty of Tax Reform 3017
The Case of Ontario 3022

Page

IV The Implementation of Deemed Realization 3025
Quantitative Aspects of the Capital Gains Tax 3028
V Summary and Conclusion 3031
Footnotes 3034

The System for Regulation and Assistance of Charity in England and Wales, With Recommendations on the Establishment of a National Commission on Philanthropy in the United States *Donald R. Spuehler* (1975) 3045

Introduction 3045
The 1972 Ditchley Conference 3045
A Summary Description of English Practice and Assistance of Charities 3046
I The Charity Commission Under the Charities Act of 1960 3049
General Structure 3049
Registration 3050
Registration of Existing Charities 3050
Registration of New Charities 3051
Accounts 3054
The Official Custodian for Charities 3055
The Consents Division 3057
Local Review 3058
General Supervision and Assistance 3060
General Functions 3060
Aid in Interaction with Government–The Almshouse Example 3062
Modernization–Outmoded Purposes 3064
Aid to Charities–Investment Policies 3065
General Aid, Assistance, and Admonition of Charity 3066
Summary 3067
II Tax Treatment of Charities and Their Donors 3067
General Tax Principles 3067
Taxation of Charities 3068
Exempt and Unrelated Income 3068
Denial of Income Tax Relief 3069
The Private Settlement Trust–The Private Foundation Emerging in Britain 3071
Effectiveness of Inland Revenue's Surveillance of Charity . . . 3071
Tax Treatment of Donors 3072
Estate Duty 3072
Capital Gains Tax 3072
Gift Tax 3073
The General Income Tax Rule–No Deduction for Charitable Gifts 3073
The Deed of Covenant 3073

Page

III The Charities Aid Fund—A Unique Institutional Approach to Problems of Charities and Donors 3076
IV British Attitudes Toward the Charitable System 3078
V The Fruits of British Experience for the United States—A United States Charity Commission? 3080
  Proposed Functions of a National Commission on Philanthropy . . 3080
  In Search of a Function for a National Commission on Philanthropy—The Charity Commission Example 3082
    Charity Commission Purposes Considered Undesirable for the United States 3083
    Functions of the Charity Commission Considered Unnecessary for the U.S. 3083
    Charity Commission Functions Possibly Useful to the U.S. . . . 3083
  Recommendations for a National Commission 3086
Footnotes 3087

Part II

Additional Perspectives

AN AGENDA FOR THE FUTURE

Reynold Levy[†] and Waldemar A. Nielsen[*]

Introduction

The Filer Commission, the largest and most sustained effort ever made to study private philanthropy in the United States, has funded a considerable body of information and analysis, of varied quality, which begins to fill some important gaps in our knowledge. But, equally, it has helped to illuminate how much we still do not know about the immense nonprofit sector, the *terra incognita*, of American society.

The Commission has focused much of its research on the problems of donors and private fund-giving institutions, to the neglect of the even larger problems of the vast array of private fund-using agencies and organizations, the so-called donees, including their relations with government. In developing its recommendations for public policy it has again largely concentrated on the concerns of major donors, philanthropic foundations, and those provisions of federal tax law which impinge directly on their behavior.

This is understandable, given the origins and the composition of the Commission and given the fact that foundations and major donors have been heavily struck by political and economic developments of recent years. Even critics of the Filer Commission's approach would have to admit that philanthropy has been a major element in sustaining many of the "peaks of excellence" in American higher education, scientific research, and cultural life. To prevent a severe dislocation in the private support system which has undergirded that precious range of institutions is not only a legitimate but an essential undertaking in the national interest.

However, the Commission's preoccupation with the problems of major donors and philanthropic foundations has had two consequences: it has given a defensive cast, a "shoring-up of the status quo" quality, to much of its product. And, when the Commission concludes its activities in late 1975, it will necessarily leave a long important agenda of unfinished business which a successor or successors will then have to deal with.

This paper presents one perspective on what some of the priority items on that agenda should be. It also seeks to strike a more urgent, perhaps a more agressive, note regarding the strategy for action which is called for.

It is a premise of what follows that the Third Sector is not only a distinctive but a crucially important element in the American democratic, pluralistic system. And it is the authors' judgment that nonprofit institutions are in serious trouble, possibly crisis. Their place in American life is in rapid decline relative to the role of government. Their programs are being inundated by the expansion of government activities in almost every field. They are increasingly dependent themselves on government funding. The flow of private giving, individual and corporate, has failed to keep pace with soaring costs, which has further accelerated the relative shrinkage of their position. Many nonprofit institutions are making a bad situation worse by their poor performance and unresponsiveness to changing public requirements. And public opinion toward the private sector is in deep transition, with both negative and positive trends becoming increasingly apparent.

These problems will not be solved by continued indifference; but neither will they be solved by mere "thinking as usual" – by addiction to conventional ideas which can lead only to piecemeal, ameliorative, reactive steps. A bolder and more basic strategy is called for.

[†] Aspen Institute for Humanistic Studies.

[*] Aspen Institute for Humanistic Studies; consultant on philanthropy and corporate responsibilities.

To many, of course, this appeal will seem quixotic. For there is a rather widespread belief that time has overtaken the venerable old private nonprofit sector, that its continuing prominence and influence in the United States is an historical anachronism, that it has virtually disappeared in every other developed Western society and will inevitably disappear here too.

This may be a great and penetrating insight into the larger social, political, and psychological trends of our times. But it may also be a death notice that is premature, a repetition of the Spenglerian brand of misperception. In any event it is not the view of the authors, to whom many of the problems of the Third Sector, serious as they are, seem still to be remediable – the funding problems, the relations with government, the problems of poor institutional performance, and the problems of ambivalent public attitudes. They will, however, be correctable only if mindless neglect, smallness of view, and faintness of spirit are replaced by an approach more scaled to the full magnitude of the needs and the potentialities. That is the assessment of the situation, and the underlying conviction, from which proceed the following suggestions for a future action agenda.

I

THE NEED FOR INFORMATION, ANALYSIS, AND IDEAS

The Third Sector is not only in worrisome difficulty, it is plunging about like a frightened horse in a dark swamp, ignorant of its problems and unable to find its way back to firmer ground. If it is ever to do so, its most elementary need is for an adequate base of information, analysis, and actionable ideas.

This is a proposition so obviously plausible – as regards almost any matter of national importance – that it runs the risk of being accepted without being fully understood. Therefore, some elaboration is necessary.

Quite apart from the qualitative contribution which the private voluntary sector may have made to diversity and freedom in this country, it is in simple economic terms – the manpower it employs, the funding it receives and dispenses, and the immense inputs of volunteered services it is given by tens of millions of citizens – a most consequential element of the American system. But, for some mysterious reason, the assumption of public policy has always been that once given legal status and tax privileges, it required no further attention. Like the grass in the fields, it could be left to survive and flourish on its own. In the same spirit the national habit has been to devote massive resources and meticulous attention to gathering and analyzing information about industry, commerce, agriculture, and labor and about governmental activities and institutions at all levels – but to devote neither resources nor study to the private nonprofit sector.

Thus, today we hardly know even its rough dimensions. The Internal Revenue Service estimates, for example, that according to its criteria there may be something between 600,000 and 700,000 nonprofit entities in the country; other estimates conclude that the number is more on the order of 7 million.[1] Almost equally wide discrepancies exist in estimates of the volume of gifts given, earned revenues, financial interflows with governmental institutions, and the value of non-monetary contributions, particularly volunteered services, received.

More specific information about particular categories of institutions is equally inadequate. Thanks to the continuing work of the Carnegie Foundation for the Advancement of Teaching and of the Carnegie Commission on Policy Studies in Higher Education which it has funded, a reasonably adequate body of information has been developed regarding institutions of higher education. But nothing comparable exists regarding most of the major functional and institutional subcategories in culture, education, science, health and welfare. Here and there, one-time efforts have been made, such as The Ford Foundation's study published in 1974 of the financial problems of 166 leading cultural institutions.[2] Given the general absence of information, they have been welcome. But for anyone seeking an adequate and up-to-date factual basis upon which to develop analyses, assessments of major problems, and proposals for action, the gaps encountered in almost every field are defeating.

If there is a paucity of basic factual information there is an even worse deficiency concerning the interrelated special characteristics and special problems of broad sub-sectors of the huge, amorphous, and heterogeneous congeries of institutions composing the Third Sector.

Special Problems and Needs of the Social Action Movement

A vivid example of this dangerous kind of vacuum relates to what can be called the Social Action Movement, which has flourished in the United States in the post-World War II period. ("Social Action Movement" is used as a term of convenience to cover many disparate elements having in common only their active interest in social change. It is not intended to suggest that they are coordinated under a single banner, much less an organization.) This movement is defined to include that broad range of associations and organizations primarily concerned with the issues of social change — civil rights, anti-militarism, women's liberation, consumerism, environmentalism, anti-poverty, neighborhood revitalization, public-interest law, and others. That it is large and active is self-evident; indeed it may be the most vigorous part of the entire nonprofit sector. Likewise, that it is of great power in contemporary national life is also self-evident. A good many of the major milestones in recent American history — the march on Selma, the Birmingham bus boycott, the Freedom Riders, the March on Washington, the anti-Vietnam war demonstrations, Naderism, the National Environmental Protection Act, and the proposed Equal Rights Amendment to the Constitution — are all evidence of the influence of one or another element of the SAM.

Some observers would go even further and say that the movement is not only generating major transformations in American life but is contributing powerfully to trends of change throughout the world. The French commentator and critic, Jean-Francois Revel, writes in his widely read book, *Without Marx or Jesus:* ". . . One of the most striking features of the past decade is that the only new revolutionary stirrings in the world have had their origin in the United States. From America has come the sole revolutionary innovation which can be described as truly original. I mean the complex of new oppositional phenomena designated by the term 'dissent'."[3]

Whether or not one agrees with such an estimate of the global importance of the SAM, it has to be regarded as an historic new phase in the tradition of American social activism — a tradition that goes back at least to the agrarian movements and the rise of trade unionism in the nineteenth century if not to the Boston Tea Party — and yet the circumstances out of which it has sprung remain essentially unknown, and its special characteristics and needs, as of today, remain unrecognized.

In sharp contrast to traditional nonprofit agencies such as universities and hospitals, the SAM is on the whole amorphous and non-institutionalized. It has relatively little benefit, or handicap, of physical facilities and full-salaried employees. It seems to have relatively little hierarchical governance apparatus; many of its component groups are ad hoc, temporary, and informal in operation. Because of this relative lack of institutional "crust," elements of the movement frequently display an unusual flexibility, adaptability, and ingenuity.

The financing of the many disparate elements of the SAM is as special and diverse as its structural features. The major part of its resources appear to be contributed in the form of volunteered services by its members. In addition, the participants make a considerable (though not precisely known) further contribution in the form of personal gifts and membership fees. Certain elements of the movement, such as those working with low-income minority groups in the large cities, have benefited directly and indirectly by funding from federal government agencies – the Office of Economic Opportunity, the Department of Labor, the Department of Commerce, the Department of Justice, the Department of Housing and Urban Development, HEW, VISTA, and others. Combined with such government funding has been a certain amount of support from major churches and their affiliated organizations.

A few elements of the movement have received valuable foundation assistance. This has come on the whole from a few large foundations with a somewhat activist point of view and from a number of "anti-establishment" medium- and smaller-sized foundations. This help, well documented in the excellent study for the Filer Commission by Sarah C. Carey,[4] has in a number of cases had an extraordinary impact upon public policy. That some philanthropic foundations, despite their "capitalistic" origins and governance, have nonetheless made useful contributions to agencies working for social change is noteworthy. Equally noteworthy, however, is that despite the unusual effectiveness of a number of such grants, only a tiny minority of foundations have contributed to SAM components and only a very small fraction of total foundation grants have gone to them.

But now it appears that the Social Action Movement is encountering a combination of serious obstacles to its further progress. The general condition of the economy has diminished its flow of individual contributions. Government funding hitherto available has now largely dried up. A considerable portion of church contributions formerly available now seems to have disappeared. And the level of foundation grants has likewise fallen off.

Along with growing financial difficulties have come other kinds of problems: at one point many leaders of the movement were convinced that organizations concerned with social change rather than with more traditional forms of charitable and educational activity were being subjected to harassment by the IRS. The case of the Center for Corporate Responsibility was, for example, taken as concrete evidence of a generally hostile attitude on the part of the federal administration.[5] The actions of the Congress in 1969 in restricting "grassroots lobbying" and its deterrence of direct lobbying by nonprofit organizations was regarded as evidence of legislative impediments being added to executive ones.

From the judiciary has come further injury. In the matter of so-called "class action" suits by consumer and environmental organizations, the courts after an initial period of tolerance have more recently begun to lay down stricter requirements regarding "standing" and notification which attorneys for these organizations feel have seriously crippled their efforts to seek redress through legal action in extremely important areas of corporate misconduct.

A second example of detrimental judicial action has been the more recent decision of the Supreme Court denying to public-interest law firms their claimed right to be reimbursed for their fees in those cases in which the verdict was in their favor.[6] As a direct consequence of the Court's decision, not only has an immediate possibility of funding been choked off but, even more discouraging, the hope of the public-interest law movement to become substantially self-supporting through such court-authorized fees, with all that such an achievement would mean in terms of dignity, strength, and growth of the movement, has now been extinguished.

In sum, given the nature and purposes of the components of SAM, it faces a range of problems which are quite different from those of, for example, hospitals and universities. Its funding problems are unique; and its need for legislative redress of the adverse actions which have been taken by legislative, administrative, and judicial branches of government are distinctive.

But because of a lack of anything resembling adequate information about these particular matters, no objective or documented basis exists for the formulation of public policy – and private policy – proposals to keep this immensely important, experimental, and adaptive element in American pluralism in a strong condition of effectiveness.

The Impacts of Stag-Flation on the Private, Nonprofit Sector

A second towering example of the ignorance which prevails about the Third Sector – ignorance in this case about major societal impacts on its fundamental viability – relates to the consequences of stag-flation.

In recent years, as everyone is acutely aware, the United States has been afflicted by an unprecedented combination of contradictory economic trends – a severe slump in the security markets combined with an extremely high rate of inflation in wage costs, capital costs, and consumer prices. No element of the nation appears to have been more severely struck by this development than the private nonprofit sector. It seems quite possible that our precious pools of social capital represented by university and hospital endowments and by foundation portfolios may have been drying up in the course of the past decade at a rate so precipitous that it permanently dislocates whatever balance may have been maintained in the past between private and public activity and significantly alters the role that private, nonprofit institutions can hope to play in the future. For example, fragmentary evidence discloses that the purchasing power of The Ford Foundation portfolio in 1975 (purchasing power meaning market value of its securities discounted for inflation) is today only 17 percent of what it was just 10 years ago. In the case of the Carnegie Corporation, possibly a more typical situation, its portfolio in 1975 has just 34 percent of the purchasing power it had in 1964. Has the same erosion occurred in the endowments of private liberal arts colleges? private voluntary hospitals? privately supported centers of scientific research? private medical schools and teaching hospitals?

The problems are even more complex – and the data still less available – when one seeks to understand the total financial situation of different major categories of private nonprofit institutions. What has been happening to their capital, labor, and other costs? What is happening to their income earned through service fees and tuition? To their endowment income? The flow of private, individual contributions they receive?

To these and similar questions there are, as of now, simply no reasonably adequate answers.

The shocking conclusion which has to be drawn is the following: the combination of economic conditions that has prevailed for the past three years may have dealt devastating and permanent damage to the position, even the survival, of large elements of the Third Sector; but as of late 1975, based on the few bits of organized evidence that have been assembled, we have little more than an impressionistic basis for trying to decide whether there exists a major crisis or only acute localized distress and, if the latter, which institutional categories have been more or less gravely affected. To state the obvious, without basic data and underlying analysis on which to judge the nature and severity of the problem, sound and persuasive proposals for remedial action cannot be formulated. And without them, that horse in the swamp could die there.

What, then, should be done?

Fundamentally, what is needed is to begin to take the Third Sector seriously – to recognize that if we do not begin to develop our knowledge about it and to give thought to its condition, there is no possibility in the face of the rapid changes taking place in every aspect of American society that it can hope to remain a significant factor in our national pattern of pluralism.

More concretely, the first action called for is to elaborate a comprehensive strategy for a continuing program of organized data-gathering and systematic study. (Some small beginnings in this direction have recently been taken, particularly the workshop organized in early 1974 by the Center for Voluntary Society (now defunct) with a grant from the National Science Foundation to identify the priority policy research needs of private, voluntary organizations.)

Second, once such a general strategy is elaborated there must be created for the first time a network of at least a few important research professorships and research centers devoted to the on going study of the nonprofit sector in its various aspects.

In order for that kind of network to be developed, major sources of funding will of course have to be found. Traditionally, the private sector, for reasons either of short-sightedness or of primary concern for the needs of its clientele, or both, has not been willing to invest significant funds in its own needs for research and planning. And as regards the federal government, the Third Sector has always been left at the bottom of its list of research priorities.

In the final section of this document a concrete proposal as to how such funding may be found is offered.

II

THE NEED FOR NEW APPROACHES TO THE INTENSIFYING ISSUES AT THE INTERFACE WITH GOVERNMENT

The relatively tidy eighteenth and nineteenth century conception of separate areas of responsibility for government and the private sector in matters of education, health care, scientific research, culture, and social welfare has long since eroded away. At an accelerating rate for more than a century government at all levels has been moving into and taking over primary responsibility for planning, policy making, funding, and administration of activity in virtually every field (except the constitutionally reserved area of religion) that at one time was thought of as a primary responsibility of the private sector. The reasons for this replacement of private responsibility by that of government are many and complex: changing concepts of the proper role of government in a modern, democratic state; the sheer magnitude of problems and of public demands for services which have outstripped the resources and capacities of the private sector; the simple failure of private institutions in some instances to perform effectively in fulfilling their responsibilities; the internal dynamics of large governmental bureaucracies to enlarge and expand their sphere of activity and influence; and, possibly, even the very nature of the American political system whereby certain groups find it more possible to exert their demands for broadened social services upon government policy and agencies than upon elements of the private sector.

Whatever the reasons that have brought about a spreading preponderance of government in fields relevant to the role of the private sector, there can be no doubt of that preponderance.

Moreover the thrust of government extension is far from spent. In recent years, and down to the present, governmental programs in areas such as scientific research, social welfare (including pre school education and mental health), civil rights, environmental protection, and the advancement of the arts and humanities have continued to grow. And with the advent of massive new programs such as national health insurance, it seems likely that the shift of weight to the government side will not only continue but accelerate as the political force of what has been called the "revolution of rising entitlements" rolls on.

Thus, the old divisions and jurisdictional lines between government and the private, nonprofit sector are virtually gone. The old "balance," such as it was, has been dramatically altered. The new reality of the relationship is interpenetration and interdependence.

The Fearful Assymetry

The private nonprofit sector and government at all levels are now locked in one another's embrace by ineluctable circumstances — and by choice. Third Sector organizations seek government resources sometimes for reasons of simple survival, other sources of private revenue having diminished or disappeared. More often they find it a most valuable additive to their basic private support, enabling them to undertake programs and perform services on a scale that would be impossible without it.

From the governmental side, administrators and legislative bodies sometimes see virtue in delegating a wide variety of tasks to universities, research centers, and voluntary associations out of a belief that their reservoir of experience and talented personnel and their capacity to mobilize private citizen energy give them capabilities that government needs and does not have. The public utilization of nonprofit agencies is also prompted by a desire sometimes to circumvent government civil service restrictions, salary limitations, personnel allotments, and budgetary and audit controls to which direct governmental operations are subject.

But it is recognized by both parties that any formal boundary between the public and the private sector is breached the moment government dollars begin to flow into nonprofit agencies. In exchange for taking public money to support their activities, private agencies necessarily accept, in some degree, a dependence upon and responsibility to their official financiers.

The hazards in the situation for the recipient agencies are great, essentially because they are relatively small and the government is big, because they are weak and the government is strong.

The most common consequences of this assymetry are that fund recipients, as their reliance on government support deepens, may become generally deferential and may tend toward caution and the avoidance of controversy in their operations in order to diminish the possibility of provoking a reduction in their funding.

The unpredictability and discontinuity of government funding is another serious hazard, particularly for those private institutions that become heavily or entirely dependent upon it. The annual appropriations of government agencies funding them can fluctuate drastically as political winds shift, and such short-term political swings can affect not only the total level of funding but also program priorities and the distribution of funds received. The frequent turnover of key government personnel adds another element of uncertainty in the relationship, from the private agency viewpoint.

A hazard of a quite different order is that of bureaucratization and de-personalization of private agency performance. The experience of many recipient private agencies is that government, largely because of its sheer mass, tends to impose heavy routines, administrative uniformity, homogenization of approach, and safe traditional patterns of operation on its beneficiaries. For example, a recent study of the Carnegie Foundation for the Advancement of Teaching reports that "leaders from all types of (higher education) institutions reported greater restrictions on the uses of Federal funds from 1968 to 1974, and almost 30 percent of all institutions (and 54 percent of research universities) expect even less flexibility in Federal funding in the future . . ."[7]

Opinion among private agency administrators about the extent to which these hazards have in fact had damaging effects on private recipient agencies vary greatly. For example, McGeorge Bundy when he was dean of Harvard College strongly held the view that the federal dollar was the "best dollar" in terms of its usefulness to a private educational institution; but there are many other heads of health, education, research, and welfare agencies that believe it has in many instances in fact been poisonous, even ruinous.

Nonetheless there is almost unanimous agreement that one of the most pernicious consequences of accepting government funding derives from the seemingly innocent and obvious right of government agencies to insure "accountability" on the part of the recipients of their funds; to insure, that is, that tax dollars are not wasted or diverted to unauthorized use.

There is no dispute about the government's right to conduct periodic financial audits of hospitals, universities, or psychiatric facilities to which it contributes substantial funds. But serious questions are raised when public bodies, in the name of accountability, begin to penetrate into the substance of program and policy decisions and even into questions regarding the governance structure of these institutions. For example, doctors are concerned about the threats posed to their independent medical judgement by recent federal legislation establishing PSROs (Professional Standards and Review Organizations) to guarantee that patients' stays in hospitals are not excessively lengthy, that surgery is performed only when absolutely necessary, and that admissions are professionally justifiable. University leaders are troubled by what they see as the corrosive effects of government efforts to implement affirmative action for women and minorities in employment upon the quality of their faculty and administrative staffs. Psychiatrists and psychiatric social workers vigorously oppose government review of patient medical records to assure that Medicaid and Medicare funds are appropriately spent as violations of the confidentiality of their relationship with clients. Moreover, as official surveillance of the operations of subsidized, nonprofit organizations becomes more detailed and as government exercises a more pervasive veto power on programmatic and procedural decisions of those organizations, their capacity for flexibility and responsiveness begins rapidly to erode.

From the point of view of the private institutions, the unrestrained and indiscriminate pursuit of "accountability" has become seriously injurious to their integrity and effectiveness and undermines the very distinctive qualities and capabilities that originally animated offical decisions to rely upon them to perform services for the common good. It can even threaten such fundamental values as the right to privacy and academic freedom.

Less ominous, but from the point of view of those who manage voluntary institutions still seriously detrimental, is the sheer burdensomeness of fulfulling the government's requirements for information to insure "accountability." The multiplicity of federal, state, and local government units which hold nonprofit institutions to account frequently issue conflicting directives and fail to coordinate and rationalize their demands upon confused Third Sector recipients. Complicated and time-consuming reporting requirements ensue. Private agencies are increasingly beset with escalating obligations for paper work that in the aggregate detracts significantly from the fulfillment of their primary tasks.

The Obscure Limits to Interpenetration

Whatever limits there may be to governmental transgressions into the jurisdiction and prerogatives of the private nonprofit sector are increasingly obscure. As the imbalance of scale between the public and private sector becomes progressively greater, and as the private sector for various reasons becomes increasingly dependent on government funding, even basic constitutional protections are subjected to stretching, and sometimes breaching, by the shifting political and bureaucratic forces that operate from the governmental side. He who increasingly pays the piper seemingly increasingly calls the tune.

Nor is the relatively free hand which the government presently enjoys to cross the vague line separating it from the nonprofit sector "counterbalanced," so to speak, by an equally free opportunity for the nonprofit sector to influence the political or legislative processes of government.

Direct engagement in partisan political activity and election campaigns by tax-privileged, nonprofit organizations is, of course, forbidden under the terms of their tax exemption. Moreover, those segments of the Third Sector, like the Social Action Movement, that focus on social action must beware of those provisions of section 501 (c)(3) of the Internal Revenue Code which prohibits a public charity from devoting any "substantial" part of its activities to "propaganda, or otherwise attempting to influence legislation." The determination of what is lobbying or political influence is left for the IRS to resolve on a case-by-case basis, because the statutory language is open-textured and because the available body of precedents provides less than definitive guidance. As a result, uncertainty obtains as to the practical range of this prohibition.

The prohibition of lobbying by nonprofit organizations is objectionable on several grounds. It is discriminatory in the sense that while private nonprofit institutions are deterred from access to the legislative process, for-profit business organizations are permitted to claim income tax deductions – as "ordinary and necessary" business expenses – for financing legislative appearances connected with the advancement of their interests. The prohibition cripples the ability of the private nonprofit sector to defend its own interests in the process of government policy formulation, a process increasingly decisive in its fate and affairs; and it deprives the legislative process of the full benefit of hearing the viewpoint of that sector on a wide range of important public policy questions – education, health, welfare, science, culture. In this sense, the prohibition can reasonably be seen as an infringement on the right of free speech and the right to petition for redress of grievances of their members and participants.

To remedy satisfactorily this inequity of access to the legislative process will require amendment to the Revenue Code permitting nonprofit organizations to present their views before Congress and the executive branch and to devote at least some defined portion of their activities and resources to these purposes without risk of losing their tax exemption. In order to avoid granting Third Sector institutions a license to roam at will all over the political landscape, statutory language might set limits on the percentage of their funds that can be devoted to lobbying as well as on the range of subject matter appropriate to their lobbying efforts. In any event, it seems clear that the scope of political activity permitted nonprofit groups cannot be left to the shifting judgments of even the most neutral and well-intentioned IRS agents, who are compelled by the vagueness of present legal provisions to operate in conceptual no-man's land.

The Task of Role Clarification

The government-Third Sector relationship can therefore be characterized in these terms: it is rapidly changing; the interface is increasingly ambiguous and extensive; the rules under which both parties now operate are ill-defined and inadequate; and the stark imbalance that exists in size, resources, and rights between the two parties gravely prejudices the possibility of a fair and balanced outcome in the continuous processes of resolving conflicts of governmental and private sector interest and points of view. Almost inherent and inevitable in the assymetrical situation is the prospect that a bad situation will get worse.

If such a prospect is to be altered, the corrective measures have to begin with clearer conceptualization – of the social and human values we seek to preserve and, in turn, of the roles which government and private agencies in their areas of common concern can most effectively and appropriately perform.

A review of the enormous growth of government involvement in societal functions traditionally performed by private institutions suggests that this expansion reflects to some degree a coherent philosophical point of view with regard to the proper responsibilities of a modern democratic state; but it also reflects to a significant degree an incoherent response to fluctuating political pressures and sometimes panicky perceptions of crisis. The pragmatic, sometimes opportunistic, enlargement of public responsibility may, on balance, have yielded enormous benefits in terms of social welfare. But its costs can include a gradual government displacement and takeover of valuable private efforts to the net detriment of the total effectiveness and humane quality of our democratic system.

The question that arises, therefore, is whether some clearer, better norms and definitions can be developed to guide relationships and the division of responsibilities between public and private agencies in their expanding areas of common concern and activity.

If such clarification is to be achieved, a first need is to chop away the prevailing mythology which obscures the inherent qualities and the deficiencies of both public and private operations.

For example, as private agencies have seen governmental activity encircle and overflow their traditional fields of work they have successively adopted various rationales as justification for continuing their established patterns of activity. One has been the idea that such governmental spread could simply be ignored, that duplication was not of serious concern because there was more than enough for all parties to do, and that in any event the existence of even duplicative private programs had the virtue of providing a "yardstick" by which to evaluate governmental programs and performance. This notion was reinforced by the convenient assumption that private sector programs intrinsically were superior to those of government – more innovative, less bureaucratic, more competently staffed. Hence, where private and public activities found themselves working in parallel no problem of role differentiation was felt to exist since the private programs purportedly served as pace-setting, standard-raising, and leavening influences upon the assumed sluggishness and inferiority of governmental efforts.

Among government agencies, a kind of mirror-image mythology about the nonprofit field has likewise evolved. It holds that voluntary institutions generally are too fragmented, inefficient, self-satisfied, and anachronistic in goals and methods to respond appropriately to the complexity and velocity of change of present societal needs. These weaknesses are regarded as natural and inevitable consequences of the fact that Third Sector institutions are almost free to ignore the discipline of both the ballot box and the market place. It is also commonly felt that many nonprofit institutions, because of their scale and their highly individualistic traditions, are simply inadequate to do the kind of planning and program development that corresponds to modern requirements and on the other hand that they tend to be petty, quarrelsome and unwilling to collaborate and form coalitions which would overcome some of these disabilities. It is sometimes felt that because nonprofit groups have signally failed to create effective mechanisms for self-regulations, they have virtually compelled the kind of government intervention to which they now so strenuously object.

In higher education, scientific research, health and welfare, and the arts, what in fact are the differences between publicly and privately supported operating institutions and the scope and character of their management, their demonstrated adaptability to changing requirements, and so forth?

A whole range of case studies might be done to assess the capabilities, limitations, and weaknesses of governmental and private funding institutions. On the government side, has its funding of science, for example, tended to be more discriminating, creative, and effective than its funding of programs in education, housing, research, and health? Have in fact some funding agencies such as the old Office of Naval Research been distinctively more flexible and creative than others such as the National Science Foundation? Is there validity to the view that the National Endowment for the Arts is markedly superior in innovativeness and effectiveness to the National Endowment for the Humanities? And if so, why?

As regards private philanthropic foundations, what has been the nature and effectiveness of their programs in various fields – medical education, international development, research in the natural, physical, and social sciences? Are there discernible differences in the capabilities of large, medium, and small foundations? Are there demonstrable variations in the capabilities of private, corporate, and community foundations to conduct different kinds of grant making?

Likewise, there are many comparative studies of governmental and private agencies that would be valuable: Are government funding agencies on the whole competent to deal with a broader and more complex range of scientific, educational, and social issues than the vast majority of private philanthropic foundations? Are governmental funding agencies more intrusive or less intrusive than private foundations upon the authority and integrity of recipient, private institutions? Are private foundations freer of bureaucratic and political pressures than government granting agencies, or are the pressures on the private foundation different but equally great and only structured according to a different set of social values?

With more adequate evidence and analysis to start from, fruitful discussion could begin to take place relating to the underlying political and social principles on which a structure of role allocation between public and private sector agencies should be based. In effect, beyond questions of efficiency and performance, there lies the matter of which functions and responsibilities in our kind of democratic society should public agencies, in prudence and in principle, be entrusted with and which are best left to private institutions. But on such questions there is much confusion.

For example, as regards the needs of neglected minorities, the view exists that because government programs are subject to popular democratic control while those of private agencies are governed by a privileged and "non-responsible" elite, public agencies should be relied on to serve these minorities. But there is the contrary view that because of their great diversity and presumed adaptability, private agencies are the best assurance of responsiveness in serving the manifold and changing requirements of such powerless societal elements.

Because of the innate dangers of governmental programs to freedom and diversity – both because of these programs' scale and because of their potential "politicization" – one common contention is that in fields such as science and education they should concentrate on the funding of physical facilities, equipment, and the provision of services; and that private agencies, on the other hand, should be relied upon to experiment with new ideas and perform critical evaluations and assessments. But as some Filer Commission studies indicate, current spending patterns of private foundations and the federal government reflect a considerable mixture of attitude in this regard.[8] For example, in the area of health more than half the private foundation dollars were used for manpower training and physical construction. By contrast, a relatively minor portion of their dollars was given for research, and this proportion was almost matched by the proportion of federal dollars spent for that purpose. Such allocation patterns raise obvious questions. Since there is a minimum political or ideological danger in federal financing of physical construction and since the federal government has such extensive experience in this field, why have foundations adopted the practice or fallen into the habit of devoting such a considerable proportion of their grants to this kind of relatively "uncreative" purpose? Similarly, in health manpower training, it would appear that this is a kind of activity that could prudently be left to government since it essentially involves the funding of students in well-established institutions to be trained in well-established techniques. On the other hand, if it is a particular merit and quality of private foundation funding that it can be applied in a more discriminating and creative way than federal funding, why does research constitute such a relatively small portion of foundation outlays?

In the field of education also, private foundations have given high priority to the training of personnel and the purchase of facilities and equipment. But an interesting contrast with the health field is that in support of research on problems of higher education, 26 cents out of every private foundation dollar went for this purpose while only 1 cent out of each federal dollar was so used.

In science, a high proportion of foundation support to academic institutions has been given for the construction of research and instructional facilities (36 cents of every dollar compared with 2 cents of every federal dollar) whereas almost three quarters of federal science support to these institutions was devoted to research and development activities (71 cents of every dollar against 19 cents of the foundation dollar).

In the arts and humanities, foundation grants are nearly indistinguishable from federal expenditures in terms of the categories of recipient institutions. When analyzed by the type of activity supported, federal funds and foundation funds have gone in almost equal proportion to the performing arts. But foundations gave twice as high a proportion of their funds for educational activities in the arts and humanities as did federal agencies, while federal agencies gave nearly four times as high a proportion of their funds for expansion programs in the arts as did foundations.

It is puzzling in reviewing even these first fragments of data, which, thanks to the Filer Commission, have now been assembled, to discern any coherent, underlying system of concepts or principles by which public and private agencies at present allocate their efforts.

Many other such examples of confusion and contradiction in both theory and practice regarding the respective roles of the public and private sector can be cited: there is relatively wide agreement that one of the important potential roles of private agencies is in the initiation of new ideas in various fields of public policy. Although a number of significant examples of such initiative can be cited, on the whole the vast majority of private philanthropic foundations do not appear to either accept or perform this role.

Likewise, it has been frequently urged that a particularly appropriate and important opportunity for private sector agencies might be to serve an independent oversight function with respect to both governmental policies and programs and the performance of private profit-making firms and the marketplace. But if one reviews the actual programs of private philanthropic foundations, for example, it is apparent how extremely reluctant, indeed unwilling, the vast majority are to assume such a role – whether for reasons of principle or political prudence.

However adequate our empirical knowledge and understanding of such issues may eventually become, it is obvious that they cannot lead to simple and absolute answers to the problem of defining the most effective and appropriate roles for private and public agencies: The problems are too complex, the potentialities of the institutions are too manifold, and the social and political environment in which they operate too dynamic. But surely something bettter than the present situation of utter confusion, inconsistency, and obscurity can be brought about if a serious and systematic effort is made to dispel the fog of rhetoric and mythology and replace it with greater factual evidence, analysis, and rational public debate.

Government Contracting and Grant Making – The Crucial Transactions

Pluralistic theory becomes compelling reality at the point where government funds are transferred to the support of private nonprofit institutions. The two basic modalities by which this is done are the grant and the contract. Through them, the specific terms and commitments are fixed by which government makes use of private sector capabilities to execute its purposes and programs and by which a vast range of private agencies obtain the resources which are increasingly essential to their survival and significance. The volume of funding which flows on the basis of these procedures is immense. For both parties, official and private, the rules and arrangements by which these transactions are decided are therefore of the utmost importance: To the government agencies, they determine how effectively they can carry out their legislative mandates and fulfill their responsibilities for ensuring the proper and efficient use of public money; to the private agencies, they determine not only the general scope and level of their operations but also the degree of flexibility they will enjoy in program development, their freedom in administrative matters such as setting standards for hiring staff, and their range of independent discretion in determining how best to pursue agreed upon project goals. In short, the pieces of paper eventually signed by both parties specifying the terms of grants or contracts embody the governing principles of their relationship.

In the negotiation of these agreements the position of the government is naturally very strong. Executive agencies, based on their legislative mandates, have the initiative in defining "missions," in setting priorities, in selecting grantees or contractors, and in determining the manner and extent to which their surveillance of performance by the private agency is to be carried out.

If not restrained, such advantages of the official agency can lead to the distortion of private agency programs; the weakening rather than the strengthening of their fundamental financial postion; discrimination against certain categories of institutions, geographical areas, and fields of scientific endeavor; and the strangling of private agencies in red tape. In the worst circumstances, they can lead to intrusions upon scientific integrity, the imposition of crippling and degrading requirements for classification of data and security clearance of personnel, and even outright punishment or reward of particular private agencies on ideological or partisan political grounds. At least a few cases in recent years suggest that even the American government can be tempted to misbehave in such reprehensible ways.

To minimize the hazards presented, a number of structural and procedural safeguards have now been developed. In contracting, for example, almost all executive agencies have come to make use of advisory panels of private experts, although the actual status of such panels in influencing decisions varies greatly from agency to agency. Some experimentation with more open bidding for contracts has been done, but with mixed results. And some appeal mechanisms have been created to permit contractors, or would-be contractors, to protest agency decisions. These procedures, however, tend to involve excessive time delays and such heavy costs for plaintiffs that their practical benefits have not been great.

In grant making, a somewhat wider range of safeguards has been employed. The use of private advisory panels is almost universal, and in some fields, such as basic science, these panels have very high status and almost decisive influence. There has also been rather widespread use of the "public foundation" as a mechanism through which to distribute grants: The National Science Foundation, for example, and The National Endowments for the Arts and the Humanities. These combine official and private participation in the processes of fund distribution in a fashion intended to equilibrate the interest involved; and although the success achieved seems to have varied considerably from one foundation to another, the approach in principle has proven to have its merits.

Two concepts that have recently won growing support as means of insulating the transfer of government funds to the private sector from some of the worst dangers are decentralizing decision making from the federal to lower levels of government and shifting from making grants to private institutions to a "voucher" system.

Proponents of decentralization argue that dispersing government decision making to state and local governments not only de-monopolizes federal control but it contributes positively to the diversity and relevance of programs funded, whether by grant or contract, because of the more direct sensitivity of lower levels of government to local needs and circumstances. As embodied in the "New Federalism" doctrine, however, the application of this principle, as will be discussed later, has led to results that in the view of some are very bad.

Proponents of shifting to a voucher system in grant-making policy contend that it is preferable to subsidize individual consumers of culture, higher education, and health care, for instance, rather than to funnel financial assistance directly to institutions via the decisions of central government. To them, the latter practice appears to offer no effective incentive for nonprofit organizations to conduct their affairs efficiently and imaginatively. By contrast, the development of voucher systems decentralizes resource allocation and frees consumers to utilize service providers in any given field according to their own preferences. Adaptation of programs and procedures to changing public needs, according to this view, should not originate in distant bureaucratic judgments but rather should emerge out of the million of daily consumer choices as to which nonprofit agencies best fulfill their individual requirements. Allowing prospective clients to "vote with their feet," it is claimed, introduces the functional equivalent of marketplace and ballot box discipline into the Third Sector. In sum it is argued that consumer subsidies are the key to democratizing private nonprofit organizations and to dramatically increasing their accountability.[9]

There is a clear and major need, therefore, to (1) conduct a full and systematic evaluation of the various contracting and grant-making practices and procedures currently employed, as a basis for the development of new public policy recommendations; and (2) to survey and evaluate new approaches that may deserve to be tried. This survey should include ideas that have been put forth from various American sources and also those that are being used or discussed in a number of foreign countries, especially Britain, Sweden, Canada, France, the Netherlands, Japan, and the Federal Republic of Germany.

A further word is in order on the general matter of the relative bargaining power of the governmental and private parties to contract and grant negotiations. As has been indicated in this analysis, that of the government is inherently very strong. But it would be a serious error to assume that that of the private sector is in all cases weak. In some fields such as basic science and higher education the major private institutions in concert have great access to and influence upon the decision-making processes of government. Likewise, through the development of "collective bargaining" approaches, some groups of institutions, such as private voluntary hospitals and child care agencies in New York City, have been fully able to defend their interest – or even more – in funding negotiations with official agencies.

Moreover, in those fields where a small number of prestigious private institutions have great influence, it appears that a kind of oligopolistic collaboration tends to develop between them and the government funding sources which has the effect of making it very difficult for less prestigious private institutions to break into the charmed circle and win a share of grants or contracts. In some areas, ten or fifteen top institutions (whose representatives also dominate the relevant governmental advisory boards) regularly receive 80 percent or more of the available funds, suggesting the need to find ways to open the access routes to additional competitors and to tap presently neglected resources of talent.

In general, when a nonprofit institution has a record of competence and reliability, when its basic financial position is sound and its sources of income diversified, when its board of trustees and its senior staff are politically and professionally well-connected, and when its constituency or clientele is effectively mobilizable if its interests are threatened, it can hold its own in negotiations with government. But this combination of attributes is not commonly to be found among the vast majority of private nonprofit institutions. Moreover, as their economic distress grows, and as a "buyers market" rather than a "sellers market" increasingly prevails, the possibilities of damage and disadvantage to them in their relationship with government necessarily increase.

This then constitutes another area of need: for private institutions individually to take further steps to equip themselves more adequately for the rigor of demanding negotiating processes with government and collectively to muster their political forces in pressing their legitimate claims in the allocation of government grants and contracts. Still more fundamental is the need to develop – within government and on the part of the general public – greater sensitivity to and awareness of the vulnerability of much of the private nonprofit sector to damage and exploitation in its financial dealings with government and of the necessity for both better rules and self-restraint by government in utilizing its predominant position.

The Need for Structural Reforms in Government

The Executive Branch

The oversight function. In addition to government controls exerted upon nonprofit agencies pursuant to the particular terms and conditions of its massive grant and contract program, there is lodged in the executive branch the continuing obligation to oversee the general conduct of Third Sector institutions. It is the responsibility of the Internal Revenue Service to determine at the outset whether or not candidate organizations are to be granted tax-exempt status, to issue advance rulings on proposed transactions of nonprofit groups, and to monitor the behavior of those agencies who are successfully granted 501(c)(3) status in order to assure that they comply with relevant regulations. Lodging these sensitive tasks in a governmental unit accustomed to focusing single mindedly upon maximizing the collection of revenues is not without its dangers.

In view of many knowledgeable observers, the IRS has traditionally not placed a high priority upon assigning able personnel to the job of certifying and monitoring exempt organizations. Staff sometimes have been unfamiliar with the purposes and activities of nonprofit groups and uncomfortable with their own regulatory duties, especially given the considerable discretion they are expected to exercise without benefit of clear directives and criteria.

For example, in evaluating whether applicants qualify for tax-exempt treatment, IRS workers can only refer to the extremely vague standard prescribed by Congress, to wit, that 501(c)(3) status is to be given only to those institutions "organized and operated exclusively for religious, charitable, scientific, . . . literary, or educational purposes." Because the key terms are undefined in the Internal Revenue Code, a good deal of ambiguity prevails. Candidates for tax exemption whose goals and procedures depart from the conventional are often subject to uncertainty and delay as they await the crucial decision on whether or not they are entitled to receive privileged status. In the absence of more precise guidance, discretionary judgments about the fitness of candidates may well be, or appear to be, arbitrary.

There are two avenues to the achievement of greater precision in the standards against which IRS personnel can formulate decisions about granting or revoking tax-exempt treatment to its petitioners that deserve consideration. First, Congress itself should be urged to define the requirements more clearly by statute. Second, judicial review of negative status determinations, of failures to rule one way or another over a reasonable period of time, and of revocations of 501(c)(3) status ought to be statutorily created. Among other benefits, this would provide the IRS with a growing body of case law to which its agents might repair to inform their decisions.

Some attention needs also to be paid to the compliance sanctions available to the IRS in their supervision of the conduct of public charities. At present, the only available enforcement power to check rule violation is the drastic one of entirely revoking the tax-exempt privilege, an extreme form of penalty that authorities are understandably reluctant to employ. An alternative to this one-option penalty system has been proposed whereby substantive guidelines would be developed for public charities on matters such as self-dealing, adequacy of distributions, and excess business holdings. Violations of these rules would be dealt with via tax penalties and civil suits, the latter to be instituted by the Justice Department in U.S. District Courts. The district courts would be granted equity powers to fashion suitable remedies to repair the damage done without penalizing the beneficiaries of philanthropic funds.

Inadequate IRS oversight of tax-exempt organizations may be corrected in some measure by the recent statutory creation of a new Assistant Commissioner for Employee Plans and Exempt Organizations, to whom all duties for monitoring philanthropic institutions are to be transferred. The recommendations submitted to the Filer Commission by Ginsberg, Marks, and Wertheim having to do with improving service procedures seem to be sound and worthy of endorsement, with one exception:[10] The proposal that this new division of the IRS should undertake a major program of collecting, analyzing, and publishing statistical data on philanthropy involves unnecessary hazards of further government intrusion on the nonprofit sector. As is argued elsewhere in this paper, it is more appropriate to place responsibility for research and study of Third Sector activities among existing or yet-to-be created nonprofit institutions themselves.

The ombudsman function. The sheer number and magnitude of federal programs in health, science and education, welfare and the arts in comparison to parallel private activities is such that even the slightest modification of their policies, priorities, and procedures can have powerful, sometimes devastating, impact on particular private institutions or categories of such institutions. These impacts, great and small, in fact occur every day as a consequence of the endless stream of administrative decisions made by federal agencies – decisions properly within their administrative discretion under existing legislation. The examples are literally innumerable:

- A decision by the cultural affairs branch of the State Department to give priority to athletic teams over musical groups in its "overseas cultural presentations" program;
- A decision by the Defense Department to shift a research project from a private university to a government-operated research facility;

- A decision by the Equal Employment Opportunity Commission to require affirmative action plans from an additional category of private nonprofit agencies being used as government contractors.

Beyond the flow of daily administrative policy decisions by government agencies, there is the still greater impact of the changes introduced in their programs and priorities as part of their annual budget proposals. And beyond such annual alterations in program levels, there is the still greater potential impact of major legislative proposals from the executive branch dismantling some programs, creating new ones, and fundamentally altering ongoing activities: proposals, for example, to dismantle the Office of Economic Opportunity, to cut back the food stamp program, to substantially enlarge support for cancer research, to name a few.

At the present time such program, procedural, budgetary, and broader policy decisions are made by executive branch agencies primarily with regard to political, budgetary, and bureaucratic considerations. The consequences of those changes on private nonprofit sector institutions are sometimes taken into consideration at the initiative of executive branch agencies or more often as a result of protests from affected institutions. But there is no central, competent, high-level point in the executive branch that gives systematic, continuous attention to the needs of Third Sector institutions and that can exercise strong, continuous influence on executive branch decision making while policy alternatives are still under consideration and open to modification.

There are two related actions which might be taken to deal with this very important and inbuilt disadvantage of the private sector in its relationships with federal agencies which deserve evaluation.

First, the possible creation of a new, special assistant to the President; and second, the creation of a new, high-level White House Council on the Private Nonprofit Sector. Either – or possibly both – of these innovations might for the first time create a permanent focal point in the federal government for maintaining contact and communication with all private nonprofit elements regarding their needs and concerns; for maintaining a continuous watch over the actions and proposals of federal agencies that may have significant impact on the private nonprofit sector; for bringing the viewpoint and needs of the private nonprofit sector to bear on decision-making processes; and generally for taking initiatives of whatever kind, including possible proposals for legislative action, to protect and preserve the sector's vitality and effectiveness.

If the need for a central point of active concern for the private sector in the executive branch of the federal government can be defended, there are those who argue that the need is at least equally great for such an ombudsman and/or oversight committee in the administration of every state and of every large metropolitan area in the country. The policies and programs of these levels of government affect the private, voluntary sector in the same ways as those of federal administrative agencies; and it is claimed by some who are close to the scene that the so-called New Federalism introduced in national policy over the past few years has made urgent the need to protect institutions of the private, voluntary sector at the state and local levels. The new policy, it is said, is not only altering the relationship between federal, state and local governments; it is also redefining the responsibilities of the three levels of government toward the protection of minority and disadvantaged groups. It has concentrated much greater power in the executive branches of state and local governments without simultaneously strengthening the legislative branches. And it has changed the federal government's attitudes about and policies toward voluntary sector organizations.

In the words of Pablo Eisenberg in a paper commissioned for the Filer Commission:[11]

"The inroads of the New Federalism have been quite, subtle and slow. Much of its foundation has been laid by executive fiat without broad public awareness. Only after two years of operation is general revenue sharing, its most publicized program, beginning to be understood by the general public . . . A great deal of what has happened over the past few years has not been the subject of extensive legislative debate or public discussion, even though it will have an enormous impact on community life and priorities everywhere . . ."

Eisenberg goes on to say that many local governments have traditionally operated with little citizen involvement but that this relatively undemocratic condition of many local governments was tolerable so long as they had to contend with strong federal programs and had limited control of much of the money channeled into their jurisdictions. Citizens, particularly minorities, could look to the federal government and independent institutions for redress and the protection of their rights. Private nonprofit organizations financed directly or indirectly by the federal government and a few foundations provided an outlet for active citizen involvement. In short, a balance of power existed which restrained local governments' influence over and control of its citizenry. But, Eisenberg asserts, "the New Federalism has upset this balance of power tilting it heavily on the side of officialdom and government bureaucracy . . . Adding momentum to this swing of the power pendulum has been the conscious decision of the administration to end federal support and encouragement of private nonprofit groups . . . The federal responsibility for and guarantees of minority rights and concerns that characterized the 1960s are being attenuated by the New Federalism and its programs. Redress and justice must be sought increasingly at the local level, which is difficult, or through the courts, which takes an inordinate amount of time." Thus, he concludes, government at all levels has been strengthened at the expense of the voluntary sector.

The situation perhaps suggests additional important tasks that a federal ombudsman for the Third Sector might play; and it suggests equally that serious consideration might be given to offering federal financial assistance directly or indirectly to states and major metropolitan governments to encourage them to establish a corresponding function at their levels of government.

The Role of Congress

Historically, for reasons that are not entirely clear, voluntarism and the Third Sector in American life have not been regarded as a sector or "interest" in society requiring or perhaps deserving the kind of attention to its needs that traditionally has been accorded to other sectors or "interests" such as commerce, agriculture, and labor. This is reflected in many areas, not least in the Congress of the United States.

Both the House and Senate have traditionally dealt with Third Sector problems and needs on a fragmented and episodic basis and nonprofit agencies have hardly been encouraged to take initiative in coming forth with broad policy proposals in their areas of competence or to lobby for their viewpoints.

On those occasions when Congress has felt impelled to take a direct interest in them, it has most often been in an investigatory and critical spirit. In the case of private philanthropic foundations, for example, the main instances of congressional interest have all been of this character – from the Walsh Commission in 1913 to the Cox and Reece investigations of the mid-1950s to the more recent efforts of Representative Wright Patman in the 1960s. (On the one occasion when the attention of the executive branch was seriously focused on the problems of foundations and on the elaboration of general policy proposals in this field – namely the Treasury Department's Report on Private Foundations in 1965 – it was the direct outgrowth of an eruption of congressional concern.)

Those intermittent bursts of congressional concern have in most instances produced rather little in the way of objective information or constructive proposals for public policy. The principal exception to this may have been the Patman investigations, which exposed some major areas of foundation delinquency and led to a number of significant legislative reforms.

Nonetheless, however productive or unproductive periodic congressional investigations may have been and how adequate or restricted has been participation by the private nonprofit sector in the deliberations of Congress on particular legislative matters, the procedures and structure of the Congress do not provide for continuous and informed concern for the problems, needs, and general vitality of the private nonprofit sector. Given the accumulating problems of private nonprofit agencies, the general weakening and decline of their position vis-a-vis governmental programs and agencies, and possibly the growing potentiality of their contribution to national problems, the established patterns of congressional indifference should be fundamentally reexamined and corrective action taken.

Such action might be in either or both of two directions:

- First, the possible establishment of standing committees, or subcommittees, in both houses of Congress on the private nonprofit sector, or of a joint committee;
- Second, the more effective utilization of the General Accounting Office as a general source of information to the Congress on developments and problems in the private nonprofit sector and as a watchdog over the policies and procedures of the executive branch that have significant impact on the vitality of those institutions.

The advantages and disadvantages of creating special congressional committees for this purpose obviously need to be carefully evaluated. And the jurisdiction and functions of the proposed committees need to be carefully thought through. Likewise, the precise purposes for which the great capabilities of the General Accounting Office might be utilized need to be well defined.

Possibly some kind of joint working group of members of Congress together with representative leaders from the Third Sector should be formed to carry out this analytical work and to come forward with concrete proposals for congressional consideration and decision.

III

THE NEED FOR OVERHAULING AND REINFORCING THE THIRD SECTOR

While the current distress of many nonprofit organizations is substantially created by economic and political circumstances beyond their control, there is also abroad, especially in government and corporate circles, a strong sense that they themselves share a good measure of responsibility for their troubles. The suspicion is widespread that there is an excess of inefficiency, organizational proliferation, and deficient standard-setting among them; that their budget practices are generally outmoded; that their goal-setting and programming procedures are ineffectual; that their service delivery systems are wasteful; and that their personnel procedures are unsatisfactory. Yet the fact is that sound data on these matters is so lacking that firm judgments cannot be made.

Still, there is little doubt that there is room for considerable management improvement in areas such as the search for new markets, the diversification of sources of income, raising client and consumer charges, intensifying use of plant and equipment, upgrading administrative capability through training, and increasing portfolio returns.

In the present harsh fiscal climate, many specific suggestions are being put forth to increase income, cut costs, and improve efficiency, of which the following is only a partial list:

- In higher education, requiring faculty to carry heavier teaching loads, implementing higher student-faculty teaching ratios, and pruning course and other ancillary program offerings;
- In the field of culture, decreasing the number, variety, and scale of presentations in the fine and performing arts; and in museums, charging admission fees and developing a "marketing mentality" to build up revenues of all kinds;
- In health, assigning the delivery of costly ambulatory and emergency care a much lower priority in the allocation of hospital resources, relying more heavily on the lower-paid paraprofessional to shoulder some of the work load currently performed by professionals, and closing low-demand, cost-ineffective services such as maternity and pediatric wards, eye, ear, nose and throat clinics; and,
- In social welfare, utilizing less expensive forms of manpower and applying a triage system to the selection of necessarily constricted caseloads.

Such a list, whatever the merits and applicability of the individual items, immediately prompts cautionary comments. First, the social cost of implementing many of these income-producing or expenditure-saving suggestions may be to diminish the capacity to deliver services at desired levels of quality and to reduce their availability to those least able to afford them.

Second, the margins for improvements in productivity and efficiency are closely set by the human-service purpose of the nonprofit sector. Balancing the books and keeping an eye fixed on the bottom line constitute only one, and sometimes not the most important, method of appraising the comparative merits of hospitals, colleges, cultural, social welfare, and scientific institutions. Indeed, some nonprofit institutional heads flatly deny the applicability of cost-benefit methodology to their operations. (Sherman E. Lee, director of the Cleveland Museum of Art, has stated, "The museum is not in business to be efficient. It is in business to be the best possible art museum it can be."[12])

Third, the escalating costs of personnel in these labor-intensive fields and largely uncontrollable fuel, transportation, and utility expenses place severe limits on the potential savings to be made through self-help efforts.

The point of emphasizing the complexities of introducing greater efficiency into the nonprofit sector is not in any sense to deny the need or to diminish the urgency and importance of such efforts. It is rather to emphasize that a great deal more needs to be learned about the special managerial problems of private nonprofit organizations before one can confidently prescribe changes that will do more good than harm, both internally and societally. A great body of knowledge and theory has been developed regarding management matters as they relate to the profit-making sector; and, in more recent decades, the quite different problems of organization and administration of governmental agencies have begun to receive study. But as of now there is not only no science of management as it relates to the internal affairs of nonprofit institutions – whose goals, motivation, and responsibilities are distinctively different from those of both commercial firms and public agencies – but hardly the surface has been scratched in thinking about their particular problems and characteristics in a systematic way. (For example, there exists a central but unexplored problem of resource allocation on a sectoral basis that is unique to the nonprofit field, namely that of finding the functional equivalent of bankruptcy in the business sphere – or the process of dismantling a government agency either by executive order or legislative action in the governmental sphere. The need is to find, or invent, a rational and effective means of bringing about the demise or consolidation of those units that have become irrelevant or dysfunctional. So long as there is not found a better means than Darwinian struggle, endless proliferation and attenuated existence of many meaningless organizations will continue to weaken the effective use of limited available resources by the whole Third Sector.)

Even if solutions to the difficult questions of management and resource use in nonprofit organizations were known with certainty, there remains the practical problem of how to introduce or apply them. For it is in the nature of such institutions to be – and their essential social value reposes upon their being – diverse, independent, even eccentric. Changes in their way of doing their work cannot properly be imposed by government fiat or by compulsory collective private action. The methods employed therefore have to be those respectful, persuasive, and indirect ones of education, technical assistance, private suggestion, public criticism, precept, and voluntary individual and collective efforts of standard setting and self-improvement.

The following suggestions, which take into account these unique circumstances and subtle difficulties, we believe merit consideration:

1. As with so many other aspects of the Third Sector, the starting point before any sensible strategy for action can be devised has to be more information and more thought. Concretely, a number of research professorships need to be established at leading schools of management throughout the country to enable at least a few experienced and able individuals to concentrate on the study and analysis of the special management problems of nonprofit institutions of different kinds. A related and more expensive need is to create (or possibly strengthen some existing) research and training centers at leading universities to specialize in the organizational and managerial problems of nonprofit organizations. These centers, on the basis of adequate long-term funding, should in turn, proceed systematically to build the needed data base, develop research methodologies, produce case studies and teaching materials, and organize management training programs along the lines that have long been followed to improve the performance of business firms and governmental agencies.

2. There is need to develop objective and quantitative norms by which the trustees and officers of nonprofit organizations can measure their own performance in certain areas as a basis and stimulus for instituting internal improvements.

For example, one problem in controlling overhead and other operating costs in nonprofit agencies has been the lack of any uniform accounting code to make it possible for one organization to compare its costs and performance with others. The recent issuance by the American Institute of Certified Public Accountants of audit guidelines for hospitals and university and voluntary health and welfare organizations should now make it possible for them to go beyond their traditional reliance upon crude general fund accounting and to begin to report functionally on their operations. The availability of such new information on a comparable basis should enable nonprofit institutions to identify areas of waste and excessive cost in their own operations more readily than ever before. These new guides also promise to provide prospective individual contributors and funding bodies with access to comparative data which will assist in assessing which nonprofit agencies operating in the same field are most worthy of their support.

Investment portfolio performance is another limited but important area in which the availability of an external standard of performance would be useful. In the field of mutual funds the so-called Lipper Index provides members of the industry and all other interested parties with periodic and comparable performance data on each individual fund. A similar index reporting on the investment performance of foundations and other endowed nonprofit institutions, if prepared and published by a reputable investment firm or market-research organization, would allow for an objective periodic comparison of the results of the investment policies and portfolio management of various institutions. It might thereby exert useful stimulus on laggard institutions. And it could provide prospective benefactors with some indication of the managerial capability, at least in investment matters, of various institutions seeking capital contributions.

3. Ways need to be found to provide at least modest funding to the work of thoughtful critics of the performance of nonprofit organizations, including foundations. In addition, special training programs at schools of journalism throughout the country might be enlarged to include short courses for editorial writers and investigative journalists on contemporary trends and issues relevant to the Third Sector.

The power of the nonprofit sector's establishment has been so great and intimidating upon scholarly and intellectual critics, and its response to criticism in some cases has been so hostile and vengeful, that an attitude of hospitality to research and writing by independent and in some cases dissident voices will not be easy to create. But if it were done, the results on the whole could be stimulating and constructive.

4. Some privately financed centers which offer limited programs of training and technical assistance to staff members of nonprofit organizations already exist. The Conference Board offers such service in the field of corporate philanthropy; the Council on Foundations does the same for various kinds of foundations; and in fields ranging from hospital administration to museum management similar efforts of varying scale and duration have been launched. It appears that a good number of these are fragmentary, temporary, and generally under-financed.

They need more secure and adequate funding. Some possibly need to be consolidated. And an overall plan should be developed to ensure that an adequate network of permanent, good quality centers is developed where officers of all categories of nonprofit institutions can get training and advice on management matters generally, including the improvement of budgeting, personnel, purchasing, and fund-raising practices.

The Need for More Resources

The private nonprofit sector faces not one but a combination of resource problems. Compared to the scale of government programs it is, of course, in a relatively minor and rapidly shrinking position. The flow of private giving in absolute dollar amounts is barely holding its own and if discounted for inflation, is declining. The pools of private "social capital" represented by foundation portfolios and other institutional endowments are rapidly drying up under the impact of the slump in stock market prices and the discouragement to the creation of new foundations that has resulted from passage of the 1969 Tax Reform Act.

If the present situation is stringent, the future is quite possibly going to be more so, even though the fragmentary and uneven data available for most categories of Third Sector institutions make it impossible to project with any degree of precision the magnitude and growth of their financial needs over time. Judgments vary widely about the total dollar requirements and also about the probable distribution of future dollar flows between public and private sources.

But certainly the general proposition is undeniable that the viability of the Third Sector as an instrument of societal pluralism turns not only on receiving sufficient and stable total levels of income but also upon the availability of some adequate minimum of private funding. Without this critical percentage of voluntary support, nonprofit groups run the risk of becoming merely compliant arms of the State. Precisely where that "tipping point" may be, beyond which independence and integrity are lost, varies for different categories of institutions and perhaps from institution to institution. But it is our view that elements of the nonprofit sector are today being driven extremely close to it.

Therefore, looking to the future, if the private sector generally is to maintain a minimum "critical mass" in the processes of American life, there is need for action along both of two parallel courses: Strongly stimulating the flow of private giving; and substantially increasing the flow of governmental funding to private agencies.

Stimulating Private Giving

Individual Giving

The dollar contributions of individual American citizens to the support of nonprofit institutions constitute their major source of private finanacial assistance. They represent in practice, the bulk, and, in principle, the indispensable element of Third Sector sustenance. In 1974 some $25 billion was received from the collective gifts of millions of Americans. But the habit of private giving has diminished over the last decade and a half, whether as measured as a percentage (in constant dollars) of the gross national product – from 1.9 percent in 1969 to 1.8 percent in 1974 – or as a percentage of total personal income – from 1.97 percent in 1960 to 1.6 percent in 1972.[13] Encouragingly, from 1973 to 1974 total individual contributions rose some $1.7 billion for an increase of 7.4 percent; but this figure is still 3.6 percentage points below the approximately 11 percent cost-of-living increase in 1974. How to arrest this declining trend, how to surmout this failure of individual giving to advance apace with national economic growth, personal income growth, and the rate of inflation is a major strategic challenge to which those concerned with the future state of nonprofit organizations must seriously address themselves.

In this connection, a most important contribution of the Filer Commission has been the research it has commissioned on the complex motivational sources for private charitable contributions in American society and on the giving patterns of different socio-economic groups. The econometric models which have been constructed with its support to demonstrate the possible consequences on various donor groups and in turn on various categories of recipient institutions from given hypothetical alterations in existing federal tax incentives, provide a more precise basis than has ever existed before in formulating plans to stimulate greater private giving – whether through new approaches to fund raising or through modification of tax legislation.

Nonetheless, these advances constitute only a beginning. Despite the self-sure assertions of some of the model builders and manipulators,[14] there is much more research and reflection left to do.

What is clear from the work of Martin Feldstein, Amy Taylor, and George Break done for the Filer Commission are the following major points:

1. Several of the possible modifications of present tax incentives that have recently been suggested, though they may have some economic or philosophical merit, will result in a net reduction, not increase, in private charitable giving.[15]

2. Broadening present tax incentives can increase the level of charitable giving, but only by a very limited amount. (In Break's analysis, extending the present deduction to all taxpayers would result in only a $1.2 billion, or 7 percent increase.[16])

3. Only by shifting to a tax-credit approach can a major increase in the flow of giving be accomplished: a 30 percent tax credit could increase giving by $2.3 billion, or 13 percent; a 50 percent credit could increase it by $12.8 billion, or 74 percent.[17]

But the econometric work accomplished thus far still leaves unanswered basic questions such as the following, which may have to be dealt with through a combination of methodologies, not exclusive reliance on quantitative and mathematical approaches:

What would be the impact on charitable giving and on governmental revenues of various 100 percent tax-credit alternatives?

What "package" of options can be devised (for example, optional 100 percent tax credit plus modifications of present special incentives for wealthy taxpayers) that may maximize the benefits to charity and ameliorate the negative effects on government revenues and on particular categories of recipient charitable institutions?

How can the estimated impacts of the various options be further tested and validated (for example, it is quite possible that a 100 percent tax credit could set into motion dynamic processes of fund raising and of public response which as of now are unpredictable but which could have immense effect in altering present econometric estimates)?

But even if such complex questions are clarified, it will still not be possible to formulate serious recommendations for major changes in tax policy for the benefit of the Third Sector because as of now there does not exist the quantitative evidence necessary to give even an approximate answer to the question of how much more private giving is needed to restore its health and maintain its vigor – in overall amount and by major categories of recipient institutions. Is a 50 percent increase in the present level of giving enough, or too much? Is a 75 percent increase the goal that should be set? Or a 100 percent increase? Or, over the next 10 years, a 200 percent increase?

All one can say today in answer to the question of the magnitude of the sector's needs is "more." To be able to answer that fundamental question adequately, a very great deal more data gathering and analysis needs to be undertaken.

Corporate Philanthropy

A source of private contributions secondary to individuals but still of importance is corporate philanthropy. Over the past 35 years business contributions to charity have risen from an annual total of $30 million to nearly $1 billion. As a percentage of pre-tax income, corporate contributions overall have risen to an average of roughly 1 percent; but it seems to have leveled off at that point for the past several years.

Nonetheless, there is evidence to suggest that corporations may present a considerably greater potential source of support for the private sector than has yet been realized.

First, corporations would seem to have the financial ability to give more, since there are wide discrepancies in practice within and between various industries and size categories. Among major corporations, though the average contribution is near 1 percent of pre-tax income, a significant minority of large and profitable companies fall far below the average and some take no deductions for contributions at all. By contrast, among smaller corporations a significant minority give 5 percent of pre-tax income, the present statutory ceiling for deductibility.[18]

Moreover, a recent survey by the Conference Board of 457 major U.S. corporation heads reflects growing support among them for the idea of corporate participation in philanthropy – and nine of ten believe that their corporations should do more than the minimum and take a leadership role in public service activities.[19] It therefore seems possible that through a combination of actions by the private sector itself and by certain changes in tax policy the level of corporate contributions might be lifted over a period of a few years from the present level of $1 billion to perhaps double, or conceivably, triple that sum.

The following are some of the most commonly mentioned possibilities for changes in tax policy which would encourage greater corporate giving:

1. *More favorable treatment in the valuation of gifts from inventory.* At present such gifts are deductible at cost rather than at fair-market value. If the latter basis were used, contributions of chemical and drug companies in particular might significantly increase.

2. *Lifting the present 5 percent ceiling on deductibility.* Such a change would not affect the majority of corporations, whose contributions are at a much lower level. But the ceiling does exert a restrictive effect on some companies, and it is difficult to see what public purpose is served by its existence, particularly if the valuation of gifts from inventory is kept on a cost basis.

3. *Making special provision for certain classes of corporations with special tax problems.* For example, public utilities are not allowed in some cases to treat contributions as allowable expenses for purposes of rate making. Such rules could be changed, particularly by state rather than federal action. Likewise, certain life insurance companies are taxed under separate provisions that do not provide a reduction of tax for charitable contributions. Congressional action could provide for tax incentives to them equivalent to that given other corporations.

4. *Increasing the value of deductions for contributions by corporations not subject to the 48 percent tax rate.* Corporations with $25,000 or less of earnings, because they are taxed at a lower rate than larger corporations, in effect are given a smaller tax inducement for charitable contributions. To eliminate this form of discrimination against them, charitable contributions could be made deductible at the 48 percent rate for all corporations by congressional action.

5. *Establishing a contributions floor.* Since the level of corporate contributions appears to have stagnated at the 1 percent of pre-tax income level and because a good many corporations set the level of their contributions at what they consider to be the "norm" for their industry, some corporate leaders have suggested that if a 1.5 percent or 2 percent floor were established for the deductibility of contributions, many companies would promptly raise their giving to that level. On the other hand, other corporate leaders feel that, particularly in the present period of poor profits, such a floor would reduce rather than raise the total of corporate contributions.

6. *Enacting a tax credit.* Instead of deductibility, which (for larger corporations) reduces taxes by 48 cents for each dollar contributed, a portion of total contributions could be allowed as a credit against tax – dollar for dollar possibly, or at some figure intermediate between 48 cents and one dollar for each dollar contribution.

7. *Imposing a new 2 percent surtax on corporate income from which payment would be forgiven on a dollar-for-dollar basis for charitable gifts up to that level.* For any corporation giving more than 2 percent of its pre-tax profit up to the 5 percent ceiling, such gifts would be deductible on the present basis.

Which of these possibilities might effectively and equitably increase corporate contributions cannot be determined without more careful evaluation. But because of the magnitude of additional resources for the private sector that might be generated, such systematic examination is much needed.

At the present time, a small group of leading corporate executives is considering the possibility of organizing a new "Bicentennial Fund" to which they hope to persuade American corporations to give at least several hundreds of millions of dollars in the coming five years, over and above the present level of their contributions, for the purpose of creating a major new source of private capital gifts. If this important initiative gets under way, a second worthwhile task of equal potentiality for the organizing group might be to turn its attention to the development of a range of new policy proposals aimed at realizing more fully the considerable potentiality of corporate giving as a source of permanent support for the Third Sector generally.

Generating Greater Government Support

Even if one accepts an optimistic forecast of the trend of charitable contributions – from individuals, corporations, and foundations – the significant budget shortfalls now being differentially experienced among nonprofit agencies are likely to be only marginally reduced. Therefore, in parallel with the effort to expand private giving substantially, there must be achieved a massive and sustained increase in the flow of governmental funding into private-sector institutions. The reports of the Carnegie Council on Policy Studies in Higher Education and the recent Ford Foundation study of a sample of cultural institutions provide a partial portrait of the monetary targets that must be reached – mainly from government sources – in order to maintain the nonprofit sector in its already lessened role in most fields of endeavor.

To achieve the objectives of universal access to higher education by the year 2000 for all those who wish to enroll and to assure the diversity of American colleges and universities between publicly and privately sponsored institutions, the Carnegie Council on Higher Education recommends a program of student loans and grants and institutional subsidies to colleges and universities that would increase the annual total cost to all levels of government (which in 1974 was $4,580,000,000) by some 4 billion constant dollars by 1980 and approximately 14.5 billion constant dollars by the year 2000.[20] What share of this projected rise in government expenditures for higher education will be directed to private institutions is not entirely clear because the council does not consistently divide its figures on the basis of the sectoral identity of the ultimate organizational fund recipients. But, as a rough indicator, it is probably fair to state that from one fifth to one quarter of the above projected cost escalation would probably find its way into private colleges and universities. More particularly, the council's suggestion for a major immediate expansion of "tuition equalization grants," designed to narrow the widening cost disparity between attendance at public and private institutions of higher learning and thereby arrest the trend in the enrollment decline of the latter (which moved from 30 to 22 percent of total university registrants between 1967 and 1974), would alone cost federal, state, and local governments an additional $1,125,000,000 (1974 dollars) in the academic year 1979-1980.

In the cultural field, The Ford Foundation has recently issued a study of the future financial needs of 166 leading resident theaters, operas, symphonies, ballets and modern dance companies.[21] Assuming both that the earnings of these organizations would grow at the same rate as was true for the period 1965-1971 and that the rate of inflation would average 7 percent per year, the total 1970-1971 deficit of these institutions, some $62 million, would increase to $335 million by 1980-1981. Based upon these "optimistic speculations," the Ford study estimates that both a *seventeen-fold* increase in government support and a *quadrupling* of private contributions over the decade 1970-1980 will be needed for them *simply to maintain their 1970-1971 financial position.* In absolute numbers, government grants of $8 million in 1970-1971 to these 166 performing arts institutions would need to jump to $133 million to meet the public share of the effort to achieve financial stability.

Comparable examinations of the prospective financial needs of hospitals, social welfare agencies, and independent scientific research facilities are not now available.

But it seems entirely possible that in overall terms, government funding to the nonprofit sector over the next two decades will have to quadruple or quintuple if a severe contraction of the number of voluntary agencies and their total service capacity is to be avoided.

As a practical matter, the tremendous increase in the flow of government funding that will be required to meet the maintenance needs of nonprofit institutions has to emanate from two sources – an expansion in the volume of direct supportive and rescue grants; and a greater diversion of research, training, and operating funds from government-owned-and-operated facilities to the Third Sector via purchase-of-service contracts. One of the first and most important tasks of the White House Advisory Commission and/or the special presidential assistant for the Third Sector recommended in this study should be to review carefully all of the present programs and activities of federal agencies in fields of health, education, welfare, science and foreign assistance to identify those that could equally well or better be shifted from direct governmental administration to private agencies through the grant or contract arrangements.

For private nonprofit institutions to receive such significant resource increments, they and their supporters will have to win them in what promises to be an increasingly intense competition for government resources from the many rival claimants – labor, business, the military, agriculture, and the rest – who will forcefully articulate their interests and demands in a variety of public forums. And that competition will of course be conducted principally through political, primarily legislative, processes.

Such efforts to force a major reallocation of resources from public to private control will also have to be directed to the bureaucratic level. That task will not be easy to accomplish. Official departments and bureaus will cling tenaciously to their direct administration of programs. One of many examples of this bureaucratic capacity to oppose successfully efforts to hand over funds and a degree of program control to private agencies was the Agency for International Development's negative reaction to the recommendations of the Gardner Report of 1964 to this effect. Despite the quality and prestige of the committee and the strong rhetorical backing its recommendations received from the highest officials of the executive branch, little if any change in the proportion of AID's work carried out through nonprofit institutional channels was effected.

Resistance to resource shifts in order to retain control will not be confined to the executive branch. Some legislators too are wary of delegating the implementation of public purposes to private groups. They perceive this shift away from direct government operations as a weakening of their control over the programs funded.

For the private sector and the perspective and interests that it represents to prevail in this contest for resources from government, a minimum requirement, as has been argued repeatedly in this paper, is a much more adequate data base, a much firmer underpinning of analysis and conceptualization to buttress its arguments, and a much better record of having put its own house in order.

In addition, there must go forward a major effort of activating, organizing, and coordinating the battalions of actual and potential supporters of the private sector cause and the pluralistic philosophy it embodies. Citizens inclined to be sympathetic have never been sufficiently informed or mobilized to carry much political weight. But, in theory, they remain a great potential force, in both numbers and influence, to wit, members of American church groups, supporters of private secondary and higher education, many in the ranks of science and medicine, large elements of the intellectual and cultural communities, and substantial segments of the mass media.

Though few in number, there are examples of nonprofit elements that have learned the importance of intercommunication, organization, and sustained involvement in the political system as prerequisites to attaining public subsidies at desired levels. In New York State, both large cultural institutions and small community arts groups recently joined forces to forge a strong coalition, called Concerned Citizens for the Arts. Armed with empirical data derived from considerable research, they were prepared to argue for the enhanced support of the arts on the grounds of its economic as well as of its aesthetic and social value to New York State. By pointing to the fact that the arts constitute a major state industry with a payroll of over $100 million and that other major businesses – from parking lots to hotels to restaurants – were in large measure dependent upon the patronage that growing audiences for cultural attractions of all kinds provide, they were able to develop a sound brief shaped intentionally to appeal to considerations that practicing politicians are inclined to accept. An unprecedented flow of letters, phone calls, and personal visits to state legislators was orchestrated to coincide with the scheduled vote on an annual appropriation for the New York State Council on the Arts. In no small measure due to this energetic and thorough research and lobbying effort, $34 million was finally allocated for the fiscal year 1974, and New York retained what is by far the highest level of state funding for the arts in America.

The Need to Broaden Public Support and Participation

If the flow of funding into and through the private sector is to be increased significantly – both through increased individual giving and through rechanneling some major volume of government funding – major shifts in national policies are implied. And if these are to be brought about, the Third Sector will not only have to activate its sympathizers but also convert some of the disinterested and the skeptics, of whom there are many.

The persistence of the practice of private giving in the United States is quite extraordinary in the face of the neglect, even the discouragement, that wittingly or unwittingly has been one of the major characteristics of public policy toward it. Twenty-three million taxpayers itemize deductions of charitable gifts each year and additional tens of millions give who take the standard, unitemized deduction. Some 60,000,000 or more directly participate in volunteer activity. But examined more critically, the overall figures obscure some trends and qualitative aspects that are less encouraging. Giving is most practiced by the wealthy and by the lower-income groups; the middle sags. The old are more inclined to volunteer than the young. Church members are more supportive of the principle of private giving than non-church members, but religious belief and practice is in decline. In a society of increasingly higher levels of educational attainment, support for voluntarism does not appear to be correlated with educational achievement and there are indications that the opposite may be the case.

Thus the popular base of support for the Third Sector may be broad but, among its more traditional elements at least, it is decaying. In political terms, it has tended to be both parochial and inert. Its supporters and participants, though numerous, are unassembled. Except for their concern for specific organizations or activities, they have remained largely passive and indifferent to the fate of the private, voluntary sector as a whole.

On the other hand, at least three major segments of the American population can be identified whose attitude toward private philanthropy and the Third Sector ranges from skepticism to hostility. These are, first, blue-collar workers and their trade union leaders. In the hearings on the 1969 Tax Reform Act the testimony of their spokesmen was generally negative toward the notion of private philanthropy as it has functioned and toward the tax privileges on which it is based. In large part the organized industrial working class sees it as a rather old-fashioned and inadequate – if not a down-right objectionable – approach to easing the problems that are of greatest concern to them, namely jobs, housing, health, welfare services, and educational opportunities for their children. They are inclined to look to government, not the private nonprofit sector, as the more responsive and effective instrumentality to deal with their needs as they see them. (In the past, the attitude of labor toward philanthropy has reflected a generalized suspicion of the corporate origins and connections of most foundations. Also, since labor has been virtually excluded from participation in the governance of private foundations and from receiving their grants, there has never been much interest in philanthropy nor any strong conviction about its social usefulness on the part of the union movement. But in the past few years, labor has begun to shift into active opposition. This results in part from its growing concern with the inequities of the tax system. In certain cases it also reflects the resentment of some major trade union figures who see a strong connection between foundation staffs and black militants, which in their view is an anti-worker and anti-union affiliation. Albert Shanker, the head of the United Federation of Teachers in New York, was particularly outraged by the grants of The Ford Foundation in relation to school decentralization in that city in the late 1960s.)

The second major group whose leadership has been openly critical of philanthropy is that whole underclass for whom George Wallace has great appeal. It includes heterogeneous elements ranging from poor whites in the rural areas to some elderly to various ethnic and minority groups. A common view among this large element is that they have not only been ignored but are moreover the objects of the ruling elite's disdain. From their perspective, philanthropy is simply an instrumentality of the elite for the elite; it is seen as neither relevant nor accessible to them in alleviating the problems that are of greatest concern in their lives. And because they feel that as it operates, philanthropy has a strong class bias against their kind of people, their antagonism toward it is in many cases militantly resentful.

The third major grouping of skeptics toward philanthropy and the Third Sector is that activist vanguard of consumerists, environmentalists, civil rightists, women's rightists – the SAM – who have deeply shaken our society in recent years. The SAM, though themselves part of the Third Sector, have been critical of the elitism of philanthropic and other Third Sector institutions.

In the view of many of these generally well-educated, sosphisticated, and politically minded individuals, philanthropy and the nonprofit sector is regarded not as a pluralistic but a preferential factor, one that benefits primarily a small group of donors and in turn a certain limited group of beneficiaries. They consider the Third Sector as it now operates as being on the whole a denial of their notions of equity, democratic participation, and accountability.

Thus the reasons for non-support of the Third Sector among these elements are varied – from pragmatic to emotional to philosophical. The net effect in political terms is to leave it increasingly isolated and vulnerable. Unless practical steps are taken to improve its performance and to broaden its base of public understanding and participation, it is difficult to see how it can long survive as a societal sector of any consequence. Indeed, it could become little more than the vermiform appendix of the American Way. Self-reform is the first requirement. (The list of what needs to be done – for the Third Sector to shed its image of elitism, to reorder its priorities, to improve its governance structures to make them more representative, to revise its programs to make them more responsive to new demands, and to develop new procedures to insure greater access and accountability – is long and by now rather familiar. Since the Donee Group of the Filer Commission under the leadership of Ted Jacobs addressed itself to these problems, we felt it would be redundant to treat them in detail in this document.)

A second requirement is for changes in public policy to assist and encourage wider public participation in private voluntary organizations and in practice of private giving. These range from a reversal of current federal policy under the New Federalism doctrine to downgrade citizen involvement in all federal programs and to cut off direct assistance to citizen groups of various kinds to changes in tax policy.

In the view of the present writers the single most important and politically feasible change in tax legislation which should be seriously studied is to tear down the wall of discrimination against the participation of at least four fifths of American taxpayers in the practice of private giving which we have allowed to be erected. That wall is the existing discriminatory system of so-called "tax incentives."

The present system has some practical virtues, of course, in that it helps stimulate the present level and patterns of private giving to charity. But relative to the needs of the Third Sector it is at best inadequate. Many great categories of institutions are in poverty and stagnation as a result. And at worst the system degrades the very idea of private giving for public purposes; it makes one of the noblest of human and social virtues increasingly an object of public cynicism and derision. As they are now constructed these incentives provide no real inducement for at least three quarters of the American taxpayers, and they can be exploited for the selfish advantage of the remainder.

They contain four built-in and reinforcing inequities:

1. As they are structured, the incentives have the effect on the basis of present tax rates of giving a government subsidy of 14 percent to the charitable gifts of the taxpayer in the lowest bracket and of 70 percent to those of a taxpayer in the highest bracket. They are in this sense regressive, not progressive.

2. They, moreover, double this bias in favor of the rich by the way in which unearned income – that is, capital gains – is treated. In general terms, a wealthy person by making his contributions in the form of appreciated property or securities can often make his gift at little or no net cost to himself, whereas the average person, whose income is in the form of salary or wages, has no such possibility.

3. Whatever little inducement the system offers the person of low or medium income is nullified by the "standard deduction," which in effect says to him, "it makes no difference whether you actually give anything to charity; you get the standard deduction anyway."

4. Finally, the whole system is upside down and backwards because it ignores the fundamental fact that a poor man's gift to charity involves more of a sacrifice in the real sense of that term than that of a rich man. Yet the inducements to give are focused on the man or woman for whom giving presents no real deprivation of basic requirements for himself or his family.

It is little wonder, then, that a good many Americans, laboring under increasingly heavy and unfair tax burdens, regard these inducements as merely another "loophole," another scheme for the rich to avoid their fair share of taxes. And it is remarkable, as well as a most encouraging evidence of the strong charitable inclination of so many Americans, that large numbers of them, including many of very low income, continue to contribute to many causes and institutions despite the irrelevance of present tax incentives to them.

Any adequate formula for reforming the present arrangements must satisfy the following five criteria:

1. It must meet the issue of equity head-on – and make it as painless for a poor man to give to charity as a rich man;

2. It must offer a sufficiently powerful attraction to draw millions more taxpayers – from every age, ethnic, and socio-economic group – into the practice of charitable giving;

3. It must thereby generate a substantial increase in annual private giving – an increase at least on the order of 25 percent over present levels;

4. It should produce an increase in resources to the private sector at least equivalent to the resources diverted from government revenues;

5. It must not jeopardize the continued existence of those very important cultural, educational, and scientific institutions which are particularly dependent on the gifts of wealthy taxpayers.

This is obviously a difficult prescription to fill. But there is considerable reason and some evidence to believe that the following specific possibility might largely meet the requirements:

That every taxpayer be offered, as an additional option under the Revenue Code, the right to make a direct deduction from his federal tax bill of $X per year ($2X on a joint tax return) on presentation of documentation that he or she has in fact given that much or more to a bona fide charity. (What the dollar limit of such a tax credit should be can be determined only after more information is available on the total increase in private giving which is needed to ensure the overall strength and position of the private sector and after further study has been made of the probable impacts of a tax credit on levels of giving and on government revenues.)

This tax credit proposal does not eliminate the present special incentives in the tax system for the rich, but it provides an additional option available to all taxpayers. The justification for paralleling rather than replacing the present inequitable incentives is a practical and not theoretical one, namely that the large contributions of wealthy taxpayers to charity provide an important pace-setting and leadership function in fund-raising drives which if abruptly eliminated would be seriously damaging to important categories of institutions.

The proposed formula would appear to satisfy the equity issue – at least to a limit of $X – for every taxpayer. It would not, however, offer those too poor to be taxpayers the opportunity to be philanthropists. But this is a limitation that perhaps many would regard as not fatal.

Such a limited 100 percent tax credit, by making a taxpayer's gifts up to that level "cost free," should in theory be a powerful inducement to taxpayers of all income levels to give to charity. And if a high proportion of them did so, the net gain in resources for the Third Sector could reach many billions of dollars. But without more careful study and perhaps some actual experimentation just how many new givers and how much of an increase in giving might result cannot be definitely predicted. To judge from the rather limited taxpayer response to the small credit now offered for political contribution, the impact might be limited. But, for several reasons, that may not be a relevant precedent; and in any event what might happen once nonprofit organizations of all kinds energize their fund-raising efforts to take advantage of this great new possible bonanza could be enormous.

Likewise, it is difficult to estimate precisely what the net loss in government revenues and the net gain to charity from such a changeover might be. But even if the decline in government revenue should be greater than the gains to charity – and this cannot be assumed – the "efficiency" of a tax credit is not to be measured purely in such arithmetic terms. Other important non-monetary social benefits may result – as will be argued later – which might more than compensate for the "inefficiency" of such a measure. Moreover, if there are those who might object to a tax-credit approach on the grounds that it is unlikely to produce great increases in resources for charity, there are others who would oppose it on the grounds that it would be too effective in the sense of producing a major reduction in governmental revenues. At a time when government budgetary deficits are already a matter of great concern, this argument can be expected to have considerable weight. But the answer to it has to be given in terms even more fundamental than fiscal policy. Ultimately, the wisdom or unwisdom of reducing government revenues at this time and thereby further unbalancing the budget turns on the issue of what kind of a society we propose to try to maintain. If a private, pluralistic sector is essential to safeguarding fundamental values, then the resources necessary for its preservation have to be given priority over other claims, even over other very important claims.

But assuming that the introduction of this kind of tax credit could reasonably satisfy the criteria stipulated, what might be some of the broader social benefits that could result?

First, some degree of public confidence in the reasonableness and fairness of at least one aspect of the tax system might be restored. Second, the resulting democratization in the sources of charitable giving would be at least as important as the sheer increase in the volume of giving. The principle and the practice of personal contribution to nonprofit agencies and activities would receive significant stimulus among all elements of the population – ethnic groups, blue-collar workers, the young, and the special minorities in our society interested in everything from the improvement of playgrounds and the administration of justice to wildlife protection and civil liberties. These changes would make it as easy for the average taxpayer in the future, as it has been for the wealthy person until now, to give something to his college, church, or local hospital. It would, for the first time, make it realistically possible for the poor and the people of the ghettos to give real financial support to their own community organizations, which has some relevance to self-respect, dignity, self-responsibility, and social harmony. It would make it possible for young people with modest incomes to contribute to the YMCA, or Naderism, or Care, or whatever civic cause or institution that inspires them, which has some relevance to the problems of alienation and cynicism as well as to the prospects for social change. It would provide a significant and probably constitutional way for those interested in the survival of parochial schools to give tax-deductible help to them, which has some relevance to the problems of building strong political support for legislative passage of such a proposal.

For those whose primary concern is the reduction of government deficits, this kind of proposal of course represents a threat. For it does constitute a new and more fundamental approach to the much-discussed matter of "revenue sharing." That idea as it has commonly been put forth involves only the redistribution of government revenue among the various levels of government. The kind of revenue sharing contemplated here envisages rather a redistribution of resources between the governmental sector and the private nonprofit sector, at least to an amount of a few billion dollars. This "diversion" of revenue from the funds available for use by governmental agencies will not of course be helpful in balancing governmental budgets. But from the viewpoint of those who are seriously concerned about the decline and degeneration of the Third Sector in American life, the public policy choice involved here goes beyond budget balancing to a consideration of the very nature of the kind of society – more pluralistic or more monolithic – we hope to preserve.

(It is a serious fallacy to consider, as some econometricians do, that the "efficiency" of any tax-incentive arrangement is to be measured purely in monetary and bookkeeping terms: that is, that an incentive is "efficient" if the amount by which it increases the flow of private charitable giving exceeds the amount of reduction it imposes on government income. Likewise it is "inefficient" if the increase in private giving is less than the resultant decrease in government income.

This may be a defensible, if narrow, economic approach. But it is hardly contestible that the "efficiency" of a reform in tax incentives could be – and in the opinion of these writers should be – defined in broader and more basic terms. From this viewpoint, the "efficiency" of a tax incentive proposal for private giving is to be evaluated not only in terms of its impact on the flow of charitable giving and on government revenues but also in terms of its impact on public confidence in the equity of the tax system as a whole and its effects on the degree of alienation or involvement and participation of significant population segments in the constructive activities of the society.

Granted these non-monetary, non-bookkeeping considerations are extremely difficult to measure, if they are not essentially unmeasurable. But there are nevertheless real considerations which must somehow be weighed and given credence if wise and not merely technocratic or arithmetic guidance is to be given to the course of public policy.)

This particular suggestion of a limited 100 percent tax credit as an option to all taxpayers can be evaluated only by giving thought to such questions as these: How urgent in ethical and human welfare terms, and how dangerous in terms of the stability and cohesion of the United States, is the fact of widespread poverty, alienation and despair in the spreading black ghettos of our major metropolitan centers? How contributory to the sense of frustration, helplessness, and anomie of the residents of those tragic neighborhoods is the fact that they have not been in a position financially to support their own private voluntary organizations and institutions but rather are dependent on benefactions of wealthier outsiders? And what difference might it make in their own sense of dignity, responsibility, and positive involvement in their community life if through a tax-credit arrangement they were able to make their own contributions to support the charitable, cultural, health, welfare, and educational institutions in their own immediate environment?

For in weighing the need to strengthen the private pluralistic element in our society we are ultimately considering some of the most profound psychological, social, political and ideological issues of our times. We necessarily are considering the nature of man, the nature of society, and the relation of man to his society and to the State. We are necessarily considering the impacts of modern, urban, industrial, technological society on human welfare. We are necessarily considering the great issues of what kind of governmental and social structures and procedures are most adequate and appropriate in satisfying not only the material and physical needs of our population but also their psychological, ethical, and spiritual requirements.

At this level of philosophical analysis, nothing could be more obvious than the fact that the huge and advanced society such as that of the United States is at present subjected to powerful and simultaneous forces of change and adaptation, that it is under excruciating stress, and that the social and human symptoms are on every hand. Moreover, it is clear that in attempting to understand and cope with comtemporary problems we are all caught in contradictory philosophical and ideological confusions, and unless contradictions can somehow be reconciled or resolved, the "base," so to speak, of the private sector cannot fully be revitalized and reinforced.

Some Reasons for Hope

However unimpressive it may be in some of its institutional manifestations, the American tradition of voluntarism and pluralism nonetheless has deep, vigorous, living roots. The vitality of that tradition is sustained by and reflected in the intellectual and ideological currents in contemporary life. These are by no means uniform, indeed they are swirling and contradictory; but, from the point of view of those devoted to ideas of diversity and democracy, they are on balance quite hopeful.

On the one hand, the immense power of the ideas and motivations underlying the growth of central state power in many nations of the world, including the United States, for the past century is by no means spent. And it is obvious that the employment of federal power in this country as elsewhere has been associated with some resplendent achievements in liberty, welfare, and equity. Federal government power, not that of local or state power, brought about the abolition of slavery and then, in the course of time, increased civil rights for Black and other minorities. It was the utilization of federal power that imposed restraints on the excesses of those who used to be called the "malefactors of great wealth." In the 1930s out of the disaster of the Great Depression came a whole range of new federal programs to stimulate the economy, to provide social insurance for the aged, to strengthen the bargaining positon of trade unions, to rehabilitate the nation's agriculture, and generally to intervene in the market system in behalf of weak and disadvantaged elements. In the period since the Second World War and down to the present, employment of federal power in behalf of a wider and wider range of egalitarian objectives and as a guiding corrective factor in the imperfect functioning of the market economy has continued almost unabated. Many Americans deeply believe that in a modern, democratic society such employment of central government power is both legitimate and necessary. And many believe further that in view of the continued wide disparities in wealth, influence, and dignity in our society that the instrumentalities of central government still represent the best hope of achieving some greater degree of social justice, stability, and cohesion.

On the other hand, as the so-called Welfare State has progressed, the side effects and implications of that expansion have begun to stir growing concern in many quarters. Time was when opposition to it was largely confined to economic conservatives, racists, and social traditionalists. But to that dwindling band has now been added strong infusions from the counter-culture, radicals of the New Left, militant libertarians, New Conservatives, and miscellaneous others of all age groups concerned by the inhuman scale and unresponsiveness of great bureaucracies, whether corporate or governmental, the unaccountability of vast centralized mechanisms, whether public or private, and the positive importance of reestablishing effective citizen participating in the control over the various programs and institutions which dominate their lives.

Thus, an eminent humanist like Robert A. Nisbet writes: "What we have witnessed . . . in every Western country, and not least in the United States, is the almost incessant growth in power over the lives of human beings – power that is basically the result of a gradual disappearance of all the intermediate institutions which coming from the predemocratic past, served for a long time to check the kind of authority that almost from the beginning sprang from the new legislative bodies and executives in the modern democracies . . . What has in fact happened during the past half century is that the bulk of power in our society, as it affects our intellectual, economic, social, and cultural existences, has become largely *invisible*, a function of the vast infragovernment composed of bureaucracies, commissions, agencies, and departments in a myriad of areas . . . The greatest single revolution of the last century in the political sphere has been the transfer of effective power over human lives from the constitutionally visible offices of government, the nominally sovereign offices, to the vast network that has been brought into being in the name of protection of the people from their exploiters."[22]

From the New Left, the Institute for Policy Studies of Washington, D.C., in its report on the first decade of its activity[23] recounts that it was formed by a group of men who had come to Washington between 1958 and 1962 "to work in or on the edges of government. They had come to Washington believing that the American governing process was mostly responsive to public pressure and public needs; they found that the government was chiefly responsible to institutional interests that were divorced from public need. They wondered whether the major institutions of American life had not become inimical to the life and safety of the public." As a result, one of the premises around which their action has been focused is that "government had become unresponsive and destructive in large part because all fresh political ideas and moral truths were smothered in the bureaucratic process. . . By 1972 most of the Fellows had concluded from their work that a concentration of vast power in the hands of a few had become typical of the American policy, economy, and culture, and that the structures of racism and militarism, the exhausting work place and the exhausted family, the mandarin university and bureaucratized religion, deforested and depeopled Appalachia and devastated Vietnam were results of this concentration of power. . . On the other hand most of the Fellows developed an analysis that saw decentralization of power and workable communities governed by full democratic participation as a necessary part of any life-enhancing future. This was an impulse shared by many scholars and activists all over the United States. In their various arenas of research and social invention most of the Fellows began more clearly to focus on community-oriented alternatives (rather than, say, centralized socialism, the corporate state, or liassez-faire individualism) that might emerge from the present situation."[24]

From the other end of the political spectrum, Irving Kristol, one of the New Conservatives, is a sharp critic of what he calls "The New Class" – the scientists, teachers, educational administrators, journalists and others in the communications industries, psychologists, social workers, lawyers, and doctors who make their careers in the expanding public sector, city planners, foundation staffers, the upper levels of the government bureaucracy, and so forth. In his opinion they are gaining crucial influence in American society and their objective is nothing less than to gain "the power to shape our civilization – a power which in a capitalist system is supposed to reside in the free market. The 'new class' wants to see much of this power redistributed to government, where *they* will then have a major say in how it is exercised."

But he concludes as follows: "Not that the situation is hopeless – it's just that one has to recognize the limited range of the possible. It *is* possible, I think, at least to preserve a substantial and vigorous private sector – not only a business sector, but also a non-governmental not-for-profit sector – in the United States. This can happen, . . . because of the profound appeal of individual liberty to all Americans, and because of the equally profound distrust of big government by all Americans. In this appeal and this distrust even members of the 'new class' share, to one degree or another. It is our good fortune that they are not doctrinaire socialists, as in Britain, even if they sometimes look and sound like it."[25]

A view from still another perspective, but in fundamental harmony with these other expressions, is that of the eminent young astronomer, Carl Sagan of Cornell University. In his words, "To use a biological analogy, which is often dangerous but sometimes pertinent, our society at present is subjected to multiple and simultaneous transformations and demands upon it – technological, social, ideological, international. Any organism caught in such a situation must either adapt or disappear. And the inbuilt mechanism of experimentation and adaption which our society possesses is its multiplicity and pluralism. That quality is not only a traditional virtue; it has become the indispensible instrumentality of our social survival."[26]

Thus, whether one looks at the tenor of the significant new philosophical statements emerging from our leading thinkers of diverse points of view or whether one observes the multiplicity and intensity of social movements and organizations of all kinds throughout the country demanding institutional accountability, responsiveness, citizen participation, and decentralization of controls, it is unmistakable that widely felt human concerns are expressing themselves.

It is quite possibly true that the reconciliation of the apparently contradictory tendencies between proponents of the Welfare State and advocates of the New Humanism is the crucial philosophical and political issue of our times. But in their ethical and social objectives, they seem to have more in common than they yet recognize – and in this there is great reason for hope that pluralistic values will not be lost.

IV

THE NEED TO CREATE A NEW PUBLIC FOUNDATION FOR THE PRIVATE NONPROFIT SECTOR

The provision of the 1969 Tax Reform Act imposing a 4 percent audit fee on foundations has surely been the most roundly denounced feature of that controversial piece of legislation, both by foundations and much of the rest of the nonprofit community. But it may turn out to be – or can be shaped to become – a boon of immense and permanent benefit to the strength of American pluralism.

Consider these factors:

1. The Third Sector is in a condition of serious and growing difficulty. The search for solutions to its problems is impeded not only by ignorance but by the traditional parochialism and extreme fragmentation of its various sub-groupings.

2. There is little that the Third Sector as a whole has ever been able to agree upon or to act in concert upon, and perhaps least of all its need for research and planning to try to redress the general decline taking place in its position and influence. Nor have the major foundations been disposed to invest significant resources in such research.

3. Yet there is not a major sector of American life that is so seriously in need of a major and sustained program of data gathering, analysis, planning, public education, and the systematic development of new actionable policy proposals. Unless such a fund of knowledge and ideas is developed it is difficult to imagine that the Third Sector can continue to be a vital element in American pluralism. But to develop it, funding on the order of perhaps $10 million a year on a continuing basis would be necessary.

4. If, in addition to research, offices of ombudsmen were created at federal, state, and major metropolitan levels of government, as this paper has suggested, the cost requirements of such an action program could well total another $10 million or more per year. (If such ombudsmen offices were established, their budgets might, of course, be provided by the various levels of government or by federal grants-in-aid. But it may be recalled that one of the most effective innovations in the history of American philanthropy was action of the Rockefeller General Education Board in 1912 to subsidize the appointment of special officials to work full time within state departments of education throughout the South to improve schools and school programs for Black children.)

5. It is unlikely in the extreme that the private sector can or would provide financial support on any such scale. It is currently hard-pressed by many demands on its shrinking resources; and its whole history is one of consistent unwillingness to invest significant capital in studying its own needs and problems.

6. If what is so obviously necessary will not happen through private, voluntary action, the alternative of government funding – despite its possible hazards and inconveniences – surely deserves to be considered. Before the nonprofit sector tries to mount an all-out drive to repeal or drastically reduce the 4 percent audit fee, therefore, it might well pause to consider the possibility of utilizing a portion or all of the "surplus" revenues being generated by the present fee which are not needed for auditing and surveillance purposes to fund the kinds of research and planning activities which have here been proposed. (The possibility of converting the present fee into a levy not only on the foundations but on all nonprofit organizations is of

course a separate question. But if that tack is taken then consideration should be given to the setting of such a fee at a level which would support not only auditing and surveillance by government but also the research and analytical needs of the Third Sector generally.)

Throughout this paper a variety of major Third Sector research programs and activities has been proposed for implementation. Among them are studying ways and means to improve nonprofit institutional governance and management performance; assembling basic data about the size of the private sector, the number of individuals it employs, the economic value of its operations; measuring sectoral financial needs over time; and comparing the efficacy of alternative methods of government funding of nonprofit agencies. It is apparent that a suitable mechanism for financing these and other projects needs to be invented.

We therefore suggest consideration of the possibility of establishing a new public Foundation for the Private Nonprofit Sector – which would operate somewhat in the fashion of the National Science Foundation or the National Endowment for the Arts, with a mixed government-private board of trustees, with a small professional staff, and with peer group review committees on grant applications. It might even be desirable for the private sector itself to contribute some proportion of matching funds to the new foundation's income each year, thereby reinforcing the position of the private element in the foundation's policies and actions.

Funding for the new foundation would be provided principally or exclusively by allocating to it the revenue obtained by the present (or some revised) audit fee over and beyond the funds required by the Internal Revenue Service to carry out those functions.

Since the audit fee produced nearly $75 million of revenue in 1973 and since only one fourth of that – or $17 million – was needed for auditing and surveillance costs, the fee might be cut in half. Then, of the $35 million to $40 million which would be collected, half might be allocated for surveillance and auditing costs and the other half transferred as an annual block grant to the proposed new public foundation.

An additional reason for considering its creation is simply that it may well prove politically impossible to reduce or repeal the present fee. In that event, there is then an urgency about finding constructive use for the "surplus" revenues now being collected. For if such uses are not found, the availability of these funds is an open invitation either to simple bureaucratic expansion and wastefulness or, what could be far worse, to the progressive expansion of surveillance activities into substantive and program activities of private nonprofit institutions.

What would appear to be needed at this point is, first, the establishment on a purely private basis of a temporary study group to weigh and analyze the alternatives, to think through the complex policies and procedures by which such a foundation might best operate, and to come forth with recommendations and an operational blueprint. Following its report, there then may be needed, as a second stage, the creation of a high-level and influential private action group to try to win executive branch and congressional support for the plan developed.

Footnotes

1. See David Horton Smith and Burt R. Baldwin, "Voluntary Associations and Volunteering in the U.S.A.: An Overview," in David Horton Smith, ed., *Voluntary Action Research: 1974* (Lexington, Mass., Lexington Books, D.C. Heath and Co., 1974).

2. *The Finances of the Performing Arts–Volume I: A Survey of 166 Professional Nonprofit Resident Theaters, Operas, Symphonies, Ballets and Modern Dance Companies* (New York: The Ford Foundation, 1974) and *The Finances of the Performing Arts–Volume II: A Survey of the Characteristics and Attitudes of Audiences for Theaters, Operas, Symphonies, Ballets and Modern Dance Companies* (New York: The Ford Foundation, 1974).

3. Jean-Francois Revel, *Without Marx or Jesus: The New American Revolution Has Begun* (Garden City, N.Y.: Doubleday and Company, Inc., 1971), p. 6.

4. Sarah C. Carey, "Philanthropy and the Powerless," a paper prepared for the Commission on Private Philanthropy and Public Needs, May 1975.

5. In September 1970, the Center on Corporate Responsibility applied to the Internal Revenue Service to receive tax-exempt status as a 501(c)(3) organization. Its request was not acted upon until May 1973 when it was finally denied two weeks after the center had filed suit in federal court to gain prompt and affirmative action on its petition. The court found in *Center on Corporate Responsibility, Inc. v. Schultz*, 368 F. Supp. 863 (D.D.C. 1973) that available evidence raised the inference of political interference in the IRS decisional process with regard to its treatment of the center's 501(c)(3) petition. It noted that "the creation of a political atmosphere generated by the White House in the Internal Revenue Service which may have affected the objectivity of those participating in the ruling in the plaintiff's case." See "Federal Oversight of Private Philanthropy," a paper prepared for the Commission on Private Philanthropy and Public Needs by David Gingsberg, Lee R. Marks and Ronald P. Wertheim, May 6, 1975.

6. In its Spring 1975 term, the Supreme Court decisively ruled out the possibility of awarding legal fees to victorious attorneys who bring class actions to represent the rights of similarly situated citizens, unless the statute under which the suit is brought explicitly authorizes such payments. The circumstances of the particular case which gave rise to this judgment involved the High Court's refusal to uphold the Court of Appeals in requiring that the defendant, Alyeska Pipeline Service Company, pay a reasonable fee to the Center for Law and Social Policy in compensation for its several thousands of hours of work in successfully maintaining that under the Mineral Leasing Act right-of-way permits to construct an Alaska pipeline could not properly issue in deference in the alleged environmental hazards of such an action. The center's argument prevailed in the courts on behalf of plaintiffs – The Widerness Society, Environmental Defense Fund and Friends of Earth. For its five years of professional effort – dating back to 1970 – the Center for Law and Social Policy is not permitted to recover a penny of its legal costs.

7. From *More Than Survival: Prospects for Higher Education in a Period of Uncertainty* (San Francisco: Jossey-Bass publishers for the Carnegie Foundation for the Advancement of Teaching, 1975), pp. 131-32.

8. See Michael S. Koleda, Daniel Bourque, and Randall Smith, "Foundations and the Federal Government: A Look at Spending Patterns," paper prepared for the Commission on Private Philanthropy and Public Needs, 1975.

9. cf. Gerald Brannon and James Strnad, "Alternative Approaches to Encouraging Philanthropic Activity," paper prepared for the Commission on Private Philanthropy and Public Needs, 1975.

10. David Ginsberg, Lee Marks, and Ronald Wertheim, "Federal Oversight of Philanthropy," paper prepared for the Commission on Private Philanthropy and Public Needs, 1975.

11. Pablo Eisenberg, "The Voluntary Sector: Problems and Challenges," included in a report to the Commission on Private Philanthropy and Public Needs from the National Center for Voluntary Action, 1975.

12. Quoted in Walter McQuade, "Management Problems Enter the Picture at Art Museums," *Fortune*, July 1974, p. 173.

13. See the figures cited in the draft report of the Commission on Private Philanthropy and Public Needs, May 29, 1975, pp. 43-44.

14. For example, George F. Break: "It is believed that the resulting quantitative estimates may be used by policy makers with a high degree of confidence." From "Charitable Contributions Under the Federal Individual Income Tax: Alternative Policy Options," paper prepared for the Commission on Private Philanthropy and Public Needs, 1975.

15. For example, alternatives 2-6, 9 and 10 in Break's analysis of option, op. cit.

16. Break, op. cit.

17. Break, op. cit., p. 26 and *f.f.*

18. "Corporate Giving: Rationale, Issues, and Opportunities" by C. Lowell Harriss, prepared for the Commission of Private Philanthropy and Public Needs.

19. James F. Harris and Ann Klepper, for The Conference Board, "Corporate Philanthropic Public Service Activities," prepared for the Commission on Private Philanthropy and Public Needs, 1975.

20. See two recent reports by the Carnegie Council on Policy Studies in Higher Education—*The Federal Role in Postsecondary Education: Unfinished Business, 1975-1980* (San Francisco: Jossey-Bass Publishers, 1975) and *More than Survival: Prospects for Higher Education in a Period of Uncertainty* (San Francisco: Jossey-Bass Publishers, 1975), especially Chapter 7, pp. 111-132.

21. *The Finances of the Performing Arts—Volume I: A Survey of 166 Professional Nonprofit Resident Theaters, Operas, Symphonies, Ballets, and Modern Dance Companies* (New York: The Ford Foundation, 1974).

22. "The New Despotism," by Robert A. Nisbet, Altert Schweitzer Professor of Humanities at Columbia University, from his forthcoming book, *Twilight of Authority* (Oxford University Press).

23. "Beginning the Second Decade 1963-1973," Institute for Policy Studies, Washington, D.C., 1973.

24. Ibid, p. 7.

25. Irving Kristol, "Business and 'The New Class'," *The Wall Street Journal*, May 19, 1975.

26. Remarks at a seminar of the Aspen Institute, June 6, 1975.

PUBLIC NEEDS, PUBLIC POLICY, AND PHILANTHROPY: AN ANALYSIS OF THE BASIC ISSUES AND THEIR TREATMENT BY THE COMMISSION ON PRIVATE PHILANTHROPY AND PUBLIC NEEDS

Thomas R. Asher[†]

Introduction

Any examination of the role of private philanthropy in the complex, pluralistic society which is present-day America is a formidable task. Indeed, if the question were solely, "How can existing philanthropic institutions survive in this rapidly changing society?" considerable study and analysis would be required before a coherent answer could be framed. Yet the answer to that question and the studies which gave rise to it would probably provide no one other than philanthropoids with much useful information about how philanthropy and philanthropic institutions *should* function. Accordingly, the Filer Commission from its inception recognized that any socially meaningful study of private philanthropy must include thorough analysis of the *purposes* of philanthropy, how the existing system is fulfilling those purposes, and how philanthropy can and should meet those purposes in the future, especially in light of the rapidly growing role of government in areas that were once solely or primarily the domain of private philanthropy.

To indicate that the normative notion of purpose was integral to its task, the Commission called itself the "Commission on Private Philanthropy and Public Needs" – "public need" fulfillment being the *a priori* defined objective of private philanthropic activity and resources. Clearly, then, defining "public needs" and evaluating their importance vis-a-vis philanthropic activity would constitute one of the Commission's major tasks, one which must be discharged before the role of philanthropy could be properly evaluated; that is, it is not possible to determine whether or how philanthropy is fulfilling its stated purpose – satisfying public needs – until and unless public needs are first defined, analysed, and evaluated.

If Copernicus taught us anything, it is that failure to ask the right questions will assuredly prevent the advancement of knowledge. The Filer Commission heeded this conventional wisdom and defined "the basic issues. . . for study and analysis" to include the difficult but essential questions of how public needs are defined, ranked in importance, and met by government and private philanthropy:

- Should our society continue to encourage the formation and support of private organizations and institutions as a major means of satisfying our public needs?

- Would the fabric of American society be altered if government replaced the private initiative and effort which traditionally defined and met our public needs?

- What is the appropriate relationship between government and private society in harnessing national resources of creative initiative, energy and money to define and meet our public needs?

- Is the present system of private support providing adequate resources for society's needs or should new sources be found? How can existing sources be strengthened, perhaps through public support in the form of improved tax incentives? Should the present trend toward increased governmental support be encouraged?

[†] **Executive Director, Study of Political Influence, Washington, D.C.**

- Are our society's resources devoted to satisfying community needs being appropriately allocated among the many purposes, organizations, and institutions which depend on private support?
- Is the federal tax system an effective and desirable means for encouraging private donations? Should the present system be modified to achieve more equity and tax rate progression?
- Are other means possible to encourage and supplement private support for public needs in addition to, or in lieu of, the present tax system?
- How has private philanthropy adapted to changing issues and expectations and to changes in the role of government?
- What is the nature and extent of non-financial philanthropy, such as donated time by individuals and organizations and how is this related to incentives for financial philanthropy?

In its two years and two million dollars of research and rhetoric, the Filer Commission somehow opted out of the concededly difficult but essential public-needs inquiry. The explanation for this decision is in a Commission staff paper entitled "Current Commission Considerations": "The Commission has not attempted to prepare a catalog or budget of the major public needs of American society, nor to trace the serpentine wall between the appropriate activities of the public sector and private voluntary sector, believing that it lacks the competence to perform the analysis."

The Commission did not even attempt to define the meaning of "public needs." Rather, it decided that philanthropic efforts and monies should be focused upon those purposes and institutions which the Commission believes have traditionally been the objects of philanthropic support and "most urgently need financial assistance" today—"private colleges and universities, hospitals and cultural institutions."[1]

In short, after eschewing on grounds of incompetence any meaningful analysis of the purposes of philanthropy—public-need fulfillment—the Commission has baldly determined that three public needs stand at the top of an otherwise undefined and unexplained list. And, curiously, all of the Commission's research indicates that these three areas are the public needs that attract support primarily from the very rich. Thus the Commission concludes that the system of laws and tax incentives that currently governs charitable giving in the United States must be preserved so that the very wealthy can continue to support with governmentally subsidized dollars their very favorite needs.

Without denigrating health care, education, and the arts as important public needs, it is necessary to examine not only their importance but the significance of the private institutions which the Commission views as its primary clients *in comparison with other public needs.* Just to suggest some other important needs, relegated to the back of the bus by the Commission, I refer to Franklin D. Roosevelt's second innaugural address, which focused on "one-third of a nation, ill-housed, ill-clad, ill-nourished." What of housing, clothing, and food? Are they not public needs equally deserving of private philanthropic support? Surely the history of Christian charity suggests that these indicia of poverty stand at least as high on the philanthropic agenda as health care and education and probably higher than the arts.

Moreover, history is not traced by a straight line; and yesterday's priorities, at least for one sector of society, may not be tomorrow's. The Commission would do well to remember the words of one of its consultants, Robert J. Blendon, vice president of the Robert Wood Johnson Foundation: "One of the difficulties in assessing the functions of private philanthropy in America is that, in a changing society, past experience may not be a reliable guide for interpreting correctly current future needs." Dr. Blendon emphasized that changing patterns of governmental and private financing of health care make the past role of philanthropy in the medical area of little relevance to determining the needs of today and tomorrow and how they can and should be met.

Similarly, rising citizen demands and expectations that the public sector foot the bill for needs ranging from housing to hospitals, from education to employment, and the ways in which the public sector is increasingly picking up the tab for these needs, render the Commission's efforts to ratify the *status quo* totally unacceptable, intellectually, politically, and morally. To say that private philanthropy should continue to function with yesterday's agenda while overlooking today's shifting needs and political realities, is to condemn a noble venture to the status of an empty, reactionary exercise.

Accordingly, I will devote the remainder of this paper to outlining the social, political, and economic trends which define public needs and determine how our society is attempting to meet those needs and to exploring the alternative and most desirable courses for private philanthropy to pursue in the future.

I, no less so than the Commission's members, have certain biases and value judgments which color my analysis. Therefore, I will attempt to state my values up front and then undertake what the Commission has totally finessed—an effort to outline the meaning of public needs, the processes whereby our society determines how and to what extent to meet those needs, and the contributions that private philanthropy can and should make toward public-need fulfillment.

When asked to describe my occupation between 1969 and 1975, I said that I was a public interest lawyer. For most of that period I was the director and sole attorney employed by a charitably supported law firm in Washington, D.C., Media Access Project. (The project has employed three lawyers since August 1974, and, as public interest ventures go, achieved a level of sustained funding which marks it as a moderately successful organization.) Also, from 1969 to 1974, I was president of the ACLU of Maryland and a member of the ACLU's national board of directors. I serve on the boards of several public interest research and advocacy organizations, including the Council on Economic Priorities and the Center for Transportation Alternatives. For 18 months beginning in September 1975, I will be directing a foundation-and church-funded study of political influence at the federal level with special focus on the role of citizen-based (that is, public interest) organizations.

While not active in partisan politics, I have a deep involvement in political activity, primarily as an advocate for what, for want of a more precise term, may be termed activist populism. I believe that concentrated wealth and political power go hand in hand and that unless both are more evenly redistributed, social injustice will persist, or be exacerbated, on many levels.

As a continuing beneficiary from organized philanthropy, especially foundations, it is perhaps unseemly for me to question many of the value assumptions which gave rise to and preserve modern philanthropic institutions. However, as philanthropists through the ages have bemoaned, the objects of their charity often reward them with scorn rather than gratitude. The following discussion will, it is hoped, illumine some of the reasons for that phenomenon.

I

PUBLIC NEEDS: AN OVERVIEW

In attempting to find a workable definition of the term "public needs" we must grapple with difficult questions regarding the nature of this nation's political values and processes. The Commission initially recognized this in formulating its list of "basic issues" with a keen eye on the interrelationships between the philanthropic and public sectors; indeed, the Commission stated its intention to launch "a broad-range, in-depth study of philanthropy, its relationship to government and its role in American society."

The growth of government as the primary vehicle for both defining and meeting public needs, including those held dearest by the Commission–education, health care, and culture–indicates that "public needs" is very much a political term. In other words, individual needs which collectively convince government to work toward their fulfillment is one possible definition of public needs. However, that definition would not give adequate credit to those interests that are clamoring for new, different, or increased public attention and support.

It is in regard to this latter constellation of individual needs–be they for better housing, adequate income, basic nutritional requirements, health care, eradication of racial or sexual discrimination, education, or other services– that philanthropy has played the most significant role in our nation's complex political process. Unless I read it wrongly, this is the thrust of the historical paper prepared for the Commission by Robert H. Bremner,[2] that philanthropic endeavors have been most socially useful not when they simply dispense alms to those in need but when they "goad" the public sector, the local, state, and federal governments, to meet important individual needs and to implement programs to prevent the recurrence of those needs.

In the last 15 years or so there has emerged a philanthropic movement, often called "public interest" or "public advocacy," which seeks to organize broad, non-commercially oriented citizen constituencies and advocate their interests in the corridors of power. Its efforts have been to influence the nation's most powerful institutions, basically governmental but also industrial and philanthropic, to respond to those public needs perceived as important by weak minorities and diffuse majorities of individual citizens who increasingly feel that voting does little or nothing to protect many of their interests. While public interest organizations have attracted a miniscule percentage of the philanthropic pie, their efforts have borne significant results.[3]

The basic thesis I will attempt to develop is that efforts of this type, which I generally refer to as "public interest" or "citizen empowerment" activities, should be the prime beneficiaries of philanthropy and that to the extent America's philanthropic energies and funds flow away from citizen empowerment and continue primarily to provide services that often disproportionately benefit the rich (who, not surprisingly, are the major beneficiaries of the tax laws which shape the pattern of philanthropic giving), public needs will be neither defined nor met in a democratic fashion.

Public disillusionment with the ways in which the country is run is largely traceable to a widespread and growing concern that the institutions which govern people's lives, governmental and private, are not responsive to the needs and wishes of most people. Unless this perception, which I believe to be a reality, is reversed, the consequences will be grave indeed. It is not hyperbolic to suggest that this phenomenon is disturbing, if not menacing, to the stability of this nation's political, social, and economic systems.

However, before coming down too hard on my conclusions, it is necessary first to trace the evolution of this nation's current economic, political, and social values and the concomitantly evolving role of private philanthropy in shaping public values and public needs.

II

THE EVOLUTION OF AMERICA'S EGALITARIAN VALUES

Kenneth J. Arrow, winner of the 1972 Nobel Prize in economics and James Bryant Conant Professor at Harvard University, recently wrote that "the use of taxing power to achieve a redistribution of income has been increasing over time in a marked way. Popular support of this doctrine has also tended to increase, though with much ebb and flow." Arrow argues "that a commitment to democratic values strongly implies an ideal redistribution of income and wealth," and that "the scope for redistribution, as manifest by progressive taxation extending into the negative area of lower incomes, should be high on the agenda of those desiring the expansion of democratic values."[4]

Arrow predicates his argument on the fact that "equality of the right to vote" does not insure meaningful political egalitarianism; "political power is in practice exercised by a small minority" because of "the translation into political power of inequalities in other forms of power, especially, in the modern world, economic power."

This notion of democratic egalitarianism, advanced by a moderate and eminent social scientist, would have been blatant radicalism in the eyes of the founding fathers, who also viewed themselves as fully committed to principles of political equality and democracy. Thus, in *Federalist Paper No. 10,* James Madison noted that "those who hold and those who are without property have ever formed distinct interests in society," and that "the most common and durable source of factions has been the various and unequal distribution of property." Yet Madison warned that any effort to achieve "an equal division of property" would be an "improper or wicked project." In his view the government should mediate conflicting claims upon the public treasury and private charity would take care of the poor.

This attitude that wealth redistribution was not a "public need" in the sense that the public sector should assume responsibility in whole or in part for the needs of the poor survived well into the nineteenth century. Although state and local governments assumed minor responsibilities for the handicapped, the insane, the elderly, and others in dire poverty, governmental acceptance of the obligation or public need to assure all persons subsistence was long resisted. Professor Bremner's paper well illustrates this fact. One of the most graphic examples he cites is the 1848 message of President Franklin Pierce, explaining his veto of a bill to set aside federal lands for construction by the states of insane asylums and institutions for the deaf:

> He acknowledged that the duty of providing for those who suffered from want and disease of body or mind was "among the highest and holiest" of human obligations, but he said he feared the effect of the bill would be "prejudicial rather than beneficial to the noble offices of charity," since it would dry up the normal springs of benevolence. "If Congress have the power to make provision for the indigent insane. . . . ," he warned, "it has the same power to provide for the indigent who are not insane; and thus to transfer to the Federal Government the charge of all poor in all the states." For his part, continued Pierce, "I cannot find any authority in the Constitution for making the Federal Government the great almoner of public charity throughout the United States."[5]

Of course, this view of public need definition and fulfillment is totally at odds with present day realities. The public sector has assumed an increasing and now dominant responsibility for satisfying the basic life needs of the economically disadvantaged members of society, and as the nation's wealth has increased, the public demand that it be more evenly distributed by government, as reflected by Professor Arrow's arguments, has increased apace. One of the most cogent examinations of this change in social and political values and governmental performance is contained in an essay by Harvard sociology Professor Daniel Bell, "The Revolution of Rising Entitlements."[6] Bell's basic thesis is that the traditional American belief that all persons are equal has in recent years shifted from the notion of equality of *opportunity* to "what is now being demanded. . . . equality of result–an equal *outcome* for all."

Because I believe Bell's thinking is highly pertinent to the questions regarding public needs addressed in this paper, I will attempt to summarize his main points. Bell commences by quoting de Tocqueville's observation that

> The more I studied American society, the more clearly I saw equality of conditions as the creative elements from which each particular fact derived, and all my observations constantly returned to this focal point. . . I soon realized that the influence of this fact extends far beyond political mores and law, exercising dominion over civil society as much as over the government; it creates opinions, gives birth to feelings, suggests customs, and modifies whatever it does not create.

Bell claims that the equality de Tocqueville described was one of opportunity, based on the nation's capacity for unlimited material progress and each individual's equal chance to participate in the "promise of plenty for all." However, it is now clear that there are limits to the wealth of this nation and, moreover, that despite the unprecedented wealth we have achieved, a decent living standard for all, let alone plenty for all, has not become a reality.[7] Accordingly, Bell claims that "the promise of plenty has been transformed. . . in recent years. . . into a revolution of rising expectations" which "threatens the stability of American society." He contends that "the promise of equality has been transformed into a revolution of rising 'entitlements'–claims on government to implement an array of newly defined and vastly expanded social rights."

Noting the drastic rise in governmental expenditures for domestic goods and services, Bell claims that "just about *all* grievances now get dumped into the lap of government, while the voluntary associations that once furthered the claims of different groups are withering." As a result, "the major conflicts in our society" are "between organized interest groups claiming their share of governmental largess."

Conceding that "it has always been a function of government to provide goods and services that individuals cannot purchase for themselves," Professor Bell notes that the 1960s saw a "revolutionary" rise in expectations that the public sector "remedy the inequalities and injustices of our society. . . civil rights, housing, environmental policy, health care, and income support." He asserts that "the direction of events is clear: the government has made a commitment, not only to create a substantial welfare state, *but to redress all economic and social inequalities as well.*" Therefore, "the government budget becomes the arena for the fulfillment, not only for public needs but of private 'wants'–previously the province of the market economy."[8]

In addition to worrying about how the public sector will be able to finance the public's rising appetite for social services and income redistribution, Bell asserts that "to help us strike a balance between social and individual rights, there must be a recognition of the public character of needs. But there must also be some agreed upon principles that can enable us to differentiate between needs and 'wants.' " He advocates decentralization of governmental decision making and responsibility so as to "give people a sense that government is effective and responsive. . . We need a way to define the common good; without the definitions, we have no way to adjudicate the conflicting claims about rights."

Bell concludes that the operative factor in determining and meeting public needs is power, essentially political power, and that there are "two special requirements for equity in a 'representative republic.' First, that all interests must be represented; and second, that all issues must be viewed as negotiable."

Without endorsing all of the views expressed by Daniel Bell, and finessing for the moment his slippery distinction between public needs and private wants, it seems that he has touched upon many of the problems faced by those of us who view (1) the question of public needs as basically political and (2) the primary responsibility of private philanthropy as one of assuring that the various interests of individual citizens are fully and fairly represented in the political marketplace. Since the public interest movement represents a clear manifestation of the public need to assure such fair and equal access, I will next address its development and implications for private philanthropy's future.

III

CITIZEN EMPOWERMENT: THE PUBLIC NEED ADDRESSED BY THE PUBLIC INTEREST MOVEMENT

I backtrack in order to focus more clearly on the question of public needs. The key word is "public," not "needs," for as Daniel Bell's analysis makes clear there is a very fuzzy line between a need and a desire or "want." Moreover, as national wealth has increased, goods and services that in the past were luxuries are now deemed by many Americans to be "needs"; for example, telephones, automobiles, and high quality health care and education.

The public aspect of the term "public needs" can be viewed from several perspectives, but in the philanthropic sense there seems general agreement that needs or wants are public because someone has made a moral or political judgment that they must not go unmet.

The process of meeting these needs primarily involves redistribution of wealth. For example, if those with wealth decide that those without wealth cannot be permitted to go hungry and through voluntary means set aside a portion of their money or goods to secure food for the poor, wealth has been redistributed through purely voluntary philanthropy. If government determines that starvation or malnutrition cannot be tolerated in its domain (or elsewhere in the world) and allocates economic or in-kind resources to feed the hungry, using funds or goods from the public treasury, wealth has been redistributed politically. And if poor people organize to successfully petition the government (or industry, or religious institutions, or other charitable entities)-to give them the food they feel they need or, alternatively, the means to secure such food, then wealth redistribution has occurred politically through public interest advocacy or citizen empowerment.

The fact that government has, to varying degrees, been delivering increased social services and wealth redistribution is largely the result of political pressures exerted by or on behalf of those in need or want. Many of these pressures have resulted in whole or in part from private philanthropic activities, activities which have had strong political impact, even if often viewed as non-political. In the eyes of Professor Bremner, this writer, and I would imagine most Americans, this form of philanthropy— public-interest advocacy, research, monitoring, and experimentation— has been the most socially significant and valuable of all philanthropic activity in the United States.

At the present time, with government accepting the lion's share of responsibility for financing public need fulfillment, it is more important than ever that the limited resources available to private philanthropy be directed to the largest extent possible in the direction of citizen empowerment or, in Professor Bell's words, toward assuring "that all interests. . . be represented" in the political marketplace which defines and meets public needs.

Leverage in Philanthropic Giving

At the risk of being overly discursive, I would like to point out that philanthropic support of citizen empowerment or public interest activity is highly leveraged, whereas most philanthropic donations of goods and services needed by others has little or no leverage. To illustrate: If one million dollars of philanthropic funds is given to organizations that work to advance the interests of inner city minorities and those monies support research, community organization, and political education all of which result in effectively pressuring the government to fulfill one or more needs deemed essential or important by the constituent minority group members (better schools, food stamps or vouchers, improved housing) through public appropriations worth one hundred million dollars, the philanthropic funds have brought about results worth one hundred times what was donated. In other words, there has been leverage by a multiple of one hundred.

On the other hand, if the same one million dollars of private philanthropic funds is spent to provide directly to the minority group members the goods or services they require (food, clothing, medical care), there would be little or no leverage. The same needs would persist — tomorrow there would be the same mouths to feed. Furthermore, the million dollars would be gone without an additional dividend likely to be generated by the highly leveraged public interest oriented donation, a residual sense of organization and power which would both lessen the need for additional philanthropic support and bolster confidence in "the system" or, alternatively, lessen the highly volatile sense of disillusionment and alienation which turns inner cities into potentially explosive armed camps.

While I realize that the foregoing example is oversimplified and therefore overstates the case, I believe that the basic principle is sound and has considerable historical support. Although all educational programs and institutions have some leverage effect because better-educated people are more likely to be productive, innovative, and self-sufficient members of society (the Commission's rationale for preserving elitist secondary and higher institutions of learning as prime beneficiaries of tax subsidized gifts from the affluent[9]), the model of the Peabody Education Fund cited by Bremner indicates how much more leverage can be created by using philanthropic dollars to prod governments to assume financial responsibility for educating all people, especially those most in need.[10]

As discussed in the following paragraphs, moreover, I believe that public interest activities which involve citizens in asserting their own interests, in contrast to the more paternalistic albeit commendable public interest activities engaged in by the Peabody Education Fund, the Sanitary Commission, and Dorothea Dix which are used by Bremner as illustrations of the best of private philanthropy during the nineteenth century, generate the highest degree of leverage — social and political as well as economic.

The Movement for Political Equality

In discussing de Tocqueville's analysis of America's concern with "equality of conditions," Daniel Bell overlooked the following pertinent observation:

> The lower classes mix fewer considerations of personal interest with their patriotism than the higher orders; but it is always more or less difficult for them to discern the best means of attaining the end which they sincerely desire. . . . Democratic institutions awaken and foster a passion for equality which they can never entirely satisfy. This complete equality eludes the grasp of the people at the very moment when they think they have grasped it, and "flies," as Pascal says, "with an eternal flight"; the people are excited in the pursuit of an advantage, which is more precious because it is not sufficiently near to be enjoyed. The lower orders are agitated by the chance of success, they are irritated by its uncertainty; and they pass from enthusiasm of pursuit to the exhaustion of ill success, and lastly to the acrimony of disappointment.[11]

Stripped of its classist rhetoric, de Tocqueville's thesis is borne out by what is taking place in America today. Fewer and fewer people are voting–over half of the Americans eligible to vote in 1974 did not do so and about one third did not even bother to register. Poll after poll shows that public confidence in government, business, and the other institutions that shape national and local priorities is at an all-time low and continuing to fall.[12] The explanation for declining citizen participation and confidence is not that people do not care how the major public and private institutions which govern their lives function but rather that people feel powerless to influence those institutions – so why bother?[13]

It is especially ironic that there is such widespread and growing public disillusionment at a time immediately following the *apparent* effectiveness of the civil rights and antiwar movements of the 1960s and the consumer, environmental, and other issue-oriented public interest movements which have grown dramatically during the past several years, symbolized by national organizations such as Common Cause and Ralph Nader's Public Citizen. However, it is perhaps best to explain first the reasons why public interest activity has been burgeoning before attempting to examine its problems and the potential of private philanthropy to alleviate those problems.

It may seem ironic that at the same time government expenditures for social needs have been rising steadily and substantially, broad-based citizen discontent and feelings of powerlessness have resulted in literally thousands of organized efforts to further enhance popular political power. Why, one might ask, at the very time government is responding to individual needs more frequently and substantially than ever before is the bulk of the citizenry claiming that the system is inadequately responsive to popular needs and biased in favor of the wealthy "special interests."[14]

Daniel Bell explains the rising level of individual expectations, the demand for equality of results, without offering a reason for its existence other than the historical American belief that there would be "plenty of all." Another possible explanation, implicit in Bell's essay, is that the more the government satisfies individual wants the higher the level of expectation becomes. Although I am not a social scientist, I would suggest that there may be variations on these themes which better explain the growing push for public interest advocacy as a means to achieve social and material equality for all persons.

First, the belief that "equality of opportunity" would lead to equality of results has worn very thin. Black schools in the South never were equal when they were separate and even since there has been legally mandated integration, Blacks have found themselves as isolated and disadvantaged, relative to the white population, as ever before. That the level of Black unemployment is twice that of unemployment among whites and that young Blacks are even more heavily represented among the jobless has turned the promise of equality into bitter disillusionment or, as de Tocqueville put it, "the acrimony of disappointment."

Second, the civil rights movement, which can be viewed historically as an outgrowth of the egalitarian promises of the New Deal, followed by the prosperity and drastic closing of the gap between rich and poor which occurred during the Second World War, gave other disadvantaged minorities (racial, ethnic, and geographic) the hope, coupled with repeated promises by politicians, that by organizing and asserting their interests they too could be assured a larger and fairer portion of America's apparently boundless wealth.

Third, America has reached its frontiers, and the public is now aware that economic growth not only has limits but imposes severe social costs, such as environmental degradation, occupational diseases, rural decay, and the ravaging of urban areas by pavement, automobiles, racial tensions, and economic polarization. Therefore, the hope of getting at least a constant piece of an ever-growing pie has been replaced by demands for a more equitable reallocation of what may very well be a static or shrinking pie. Thus, the poor and middle classes, including organized labor, are far less easy with a society in which the affluent few live conspicuously well, often off accumulated wealth rather than personal earnings, and the gap between them and the middle classes seems to be closing little if at all.

Fourth, the inequities in the tax system have resulted in a rising level of anger on the part of the middle classes that they are paying an unfairly high share for the social programs designed to benefit the poor. Working people read of the late Mrs. Horace Dodge, whose income from state and municipal bonds each year totalled between five and ten million dollars but who never payed a penny of income tax. In contrast, those grossing $10–15,000 per year saw themselves parting with thousands of precious dollars in income taxes while being pinched to the last penny between creditors and skyrocketing prices for necessities like food and clothing.

Fifth, the civil rights and to a lesser degree the antiwar movements of the last decade demonstrated that the squeaky wheel gets the oil. It was natural for most citizens, not simply the very poor, to emulate successful models and attempt to assert greater political influence in the hope of achieving what Americans have long been taught is their birthright—equality. Since this is a most materialistic culture and success and equality tend therefore to be measured in economic terms, was it not logical to seek greater impact in the political marketplace in order to achieve more clout and results in the economic arena?

Sixth, Professor Arrow's observation that economic inequality leads to political inequality is a verity. Perhaps the public interest movement focused on the political arena first because it has long promised to afford all people equal treatment—for example, "one man, one vote." If political equality could be achieved then the government could be turned into a truly effective and equitable engine for wealth redistribution.

Last, but not least, all sectors of society have become increasingly disheartened by big government's apparent inability to deliver the big services it has promised and spent very big sums of money upon. This is as true in the delivery of social services as in the area of industrial regulation. Just as antitrust and myriad regulatory agencies have failed to arrest industrial concentration and power, vast welfare bureaucracies consuming and dispensing billions of dollars have apparently failed to eradicate poverty, discrimination, and an increasingly fractious and divisive social climate. Public disillusionment is growing because governmental regulatory agencies designed to protect "the public interest" from monopoly industries in fact seem more determined to protect the industries profits at the expense of the consuming public. Similarly, governmental programs designed to dispense a wide variety of alms often appear to be not only inefficient but working, perhaps inadvertently, to entrench inequalities (both of opportunity and result) rather than remedy them.

In this social climate, with government at once doing too much and too little, the public interest movement took root.

The public interest movement constitutes an array of efforts to assure that non-commercial citizen interests have access to government at all levels, as well as to business corporations and other institutions whose decisions impact substantially upon the lives of American citizens. The great bulk of public interest organizations and activities seek to influence, directly or indirectly, the economic reallocative decisions of government, the most powerful and theoretically the most publicly responsive sector.

The need for citizen public interest organization is not new; it has long been recognized. Thus, the staff director of the Joint Congressional Committee which prepared the 1946 Federal Regulation of Lobbying Act stated that "the great majority of the American people are not members of special-interest groups and hence are much less articulate on particular issues than are the interested minority—whose affiliation with some active organization gives them a greater degree of political leverage."[15]

More recently, John Gardner, chairman of Common Cause, observed that "everybody's organized but the people." And Congressional Quarterly has noted that "while labor unions, farm organizations, business groups and other special interest representatives have long asserted pressure on Congress and the executive branch, so-called citizens' lobbies only recently have entered the political arena."[16] They seek the democratic objectives articulated by Daniel Bell: giving "the people a sense that government is effective and responsive" by assuring "that all interests are represented."

While there has been an exponential rise in the number and tactics of public interest organizations, they are not strictly a recent phenomenon. During the first quarter of this century the Anti-Saloon League became perhaps the most powerful citizen interest organization that ever existed in America. It effectively lobbied all branches of government, bringing about federal, state, and local prohibitions against the sale and use of alcohol, using every known influence tactic, from campaign contributions to picketing. Moreover, organizations like the American Civil Liberties Union, the League of Women Voters, and the NAACP have been advocating broad citizen interests in political forums for decades.

However, the recent growth of public interest organization and advocacy is both quantatively and qualitatively different from earlier efforts. The emphasis is primarily upon economic issues rather than matters of religious, ethical, or more abstract political principles; and they seek fundamental reform, not simply dispensation of alms to the poor. Thus, organizations with names like National Welfare Rights Organization, Women Employed (Chicago), The Center for Community Change, and Fair Share (Boston, Mass.), have sprung up in many local communities as well as in Washington, D.C. They seek in various ways to advance citizen interests, often in direct opposition to corporate institutional interests. As Professor Galbraith has observed, "the modern corporation is a powerful thing" and "its purposes diverge from those of the public."[17]

I should emphasize that public interest organizations are not simply manifestations of political liberalism; they are as diverse and complex in both their objectives and their constituents as are the American people. While all citizens are consumers and therefore, theoretically, consumer-oriented organizations can claim to represent the views of all citizens, this can never be the case. For example, suburban consumers may regard energy-intensive devices such as power lawn mowers as essential and therefore oppose restrictions on their use or surtaxes on the energy they consume. On the other hand, inner city consumers, anxious to restrain rising bills for what to them are necessary uses of energy—home heating, cooking, automobile use for commuting to work—might favor restrictions on power mowers.

On a broader scale, public interests align on opposite sides of almost every issue. Civil rights organizations (but not necessarily all members of minority groups) favor busing as a means to achieve racial integration in schools; antibusing groups, such as those presently active in Boston, take the opposite view. The poor favor broader governmental redistribution of wealth or delivery of necessary services; the middle classes, especially in times like these with high unemployment and double-digit inflation, may oppose additional redistribution if it means that *they* must make further material sacrifices.

My point is simply that if we are to trust the political marketplace to mediate between private claims and define public needs equitably and democratically, the marketplace must be open to all on fair and equal terms. Public interest organizations, by advancing the interests of individual citizens, most of whom are presently without substantial political power, seek to make equality of access to the marketplace a reality and thereby restore public confidence in our democratic system and its institutions.

The various services performed by public interest organizations are summarized and discussed at some length in the paper prepared for the Commission by Jane H. Mavity and Paul N. Ylvisaker, "The Role of Private Philanthropy in Public Affairs." However, that document reaches no conclusions and makes no recommendations regarding the importance of public interest activities in defining and meeting public needs.[18] It does, however, set out some of the basic definitions, give random examples, and pose questions about the roles of and needs for public interest activity.[19]

What then are the components of public interest activity? Mavity and Ylvisaker list four: (1) improving the processes and competence of government; (2) helping to define and clarify public issues; (3) helping to ensure the rights and participation in government and society of all members of the public; and (4) improving the responsiveness of the private sector to public needs. In my view, item (3) is the overriding objective and items (1), (2), and (4) are means to that end.

I therefore keep the equal opportunities definition (item 3) and list the following means toward achieving that objective: first, the monitoring of governmental and private institutional actions; second, research and analysis designed to illumine the impact of public and private actions (including the passage of laws, their enforcement, administrative actions, litigation, corporate and labor union activities) upon individual citizens and definable groups and interests within the citizenry (for example, consumers, Blacks, chicanos, the urban and rural poor, women, the unemployed, government employees); third, organization of public constituencies, local, regional and national, into effective vehicles to conduct the other listed activities; fourth, the assurance that public interest organizations have access to various types of expertise (lawyers, economists, scientists, organizers, fund raisers) to achieve the political and social power necessary for them to participate actively and effectively in public policy formation; fifth, assuring public interest organizations, existing and incipient, adequate sources of funding to make political equality for all Americans a reality.[20]

It is clear that these functions are intimately related to one another and that any effective public interest organization engages in all of them to varying degrees. (The case studies in the paper, "Philanthropy and the Powerless," prepared for the Commission by Sarah C. Carey, make this clear, and I urge the Commission to give it and Professor Bremner's paper serious consideration.) For example, organizations that serve primarily as research and monitoring entities, like the Council on Economic Priorities,[21] not only provide a discreet service to advocacy-oriented organizations but, in the course of their work, are often called upon to advise governmental or corporate decision makers on the basis of the expertise or information they have assembled.[22] Moreover, in their quest for information and data they are often pulled into adversarial relationships with the institutions they are studying, such as Freedom of Information Act (5 U.S.C. Sec. 552) to secure information possessed by government agencies.[23] Even to carry out basic research tasks successfully, it is therefore often necessary for public interest organizations to have access to legal representation and other types of expert services.[24]

What is indisputable is that effective citizen participation in public policy formation is a very expensive business. This is especially true as public issues become more and more complex (who understands the current energy situation?) and the loci of power are increasingly remote from the communities in which people live. Although there is undeniable merit in Daniel Bell's suggestion that in contrast to current trends local governments undertake a growing role in service delivery and policy formation, the fact is that Washington is the site of most public sector power and the place where most of the fundamental economically reallocative decisions are made. Similarly, as corporate assets have continued to concentrate into fewer hands, the site of corporate institutional decision making is rarely in the communities whose residents are directly or indirectly affected by corporate decisions. Therefore, public interest lawyers in Washington, researchers in New York and Chicago, and other experts who can render services to locally oriented as well as nationally focused citizen organizations are a necessary component of effective public interest machinery.

While the costs associated with rendering public interest services as well as organizing public interest constituencies are large and rising, indications are that the rather minimal amount of foundation monies supporting public interest activities are declining.[25] These funds are essential to public interest activity; and, as I have argued above, public interest efforts represent the most important public need (or, alternatively, the best way to assure that public needs are adequately and equitably met). Accordingly, the Commission's proposed recommendations—which advocate intensified philanthropic support of hospitals, private colleges, and the arts, and little in the way of widening citizen incentives to support public interest activities—are not only regressive but in light of the rising public expectations characterized by Daniel Bell as "the revolution of rising entitlements," are likely to contribute to an already alarming level of social and political instability in America.

In discussing the financial aspects of public interest needs in the following paragraphs, I will attempt to illustrate the relationships between the institutions and laws that govern private philanthropic activities and the element of "social justice"[26] embodied in the notion of citizen empowerment or public interest activity.

Financing Citizen Empowerment

It is clear that if powerful and lasting public interest organizations are to become a reality – organizations which democratically advance the many and varied interests of individual citizens – their support, financial and personal, must ultimately come from their constituents. However, at present there are substantial obstacles to most public interest organizations realizing the levels of constituent support needed to achieve any semblance of political equality for all American citizens.

First, wealth is very unevenly distributed. It is impossible to expect the approximately one fifth of all Americans who are poor to part with any substantial amounts of money to finance their collective political interests; they need every penny they have to purchase the material necessities of life, food, clothing, and shelter. Moreover, the poor are highly alienated from the nation's political and economic system since it has blatantly failed to deliver to them the equality it promises and they are mistrustful of efforts at working within the system to make it more equitable. Therefore, they must be shown that citizen empowerment is needed and can work before they will commit substantial personal resources (such as volunteer time) to public interest activities. Finally, because the poor tend to be poorly educated, they are very uncertain about their specific political and economic objectives—defining the relative merits of job guarantees, income maintenance, and welfare benefits and services is a problem that befuddles even expert economists and social scientists.

Thus, for the poor, those clearly in greatest *need*, to organize politically requires a substantial infusion of outside resources—money, education, professional organizing skills, and so forth.

Second, even the middle classes do not have the resources to participate on an equal footing with the affluent in the political marketplace. Although the middle classes constitute the great majority of Americans, they have neither the spare economic resources nor the homogeniety of interests needed to organize readily and effectively. Moreover, with the current 9 percent unemployment level, some 7.5 million people are without jobs and about 15 million more are probably without work for periods of several weeks or months during a year. Many middle class people are becoming poor.

Also, there is such extraordinary heterogeniety among nonprofessional working Americans that organizing around specific issues and defining clearly peoples' common interests on those issues is an extremely difficult task. The works and writings of the late Saul Alinsky are a monument to those problems and to the large financial resources and long time periods needed to overcome them. Even unionized workers are becoming dubious about whether the political power of their unions can really protect their basic economic needs; as unemployment rises, unionized workers (for example, auto workers, and municipal employees in insolvent cities like New York) are questioning whether the substantial sums they contributed for union political action has bought them anything more than illusory job security.

Third, when people feel hard-pressed and alienated, their tendency is to look to their own needs first and overlook the need for combined efforts. Although there is always more strength in numbers—organized groups—than in isolated individuals, overcoming the tendency to mistrust institutions and go it alone requires substantial effort.

Fourth, the efforts, activities, and services needed to organize and represent effectively any broad-based citizen constituencies in the political and economic arenas are very costly. Some religious institutions and a tiny handful of foundations have been pouring monies and organizational resources into public interest activities.[27] However, philanthropic contributions to citizen empowerment efforts have been extremely low vis-a-vis both the level of need and the volume of giving to other charitable objectives, as found by Archibald Gillies, president of the John Hay Whitney Foundation:

> I asked the computer data bank of the Foundation Center Library to tell me the number and amount of grants made in 1972 and 1973 by foundations to two critical fields: politics and government, and economics. Of a total of 18,700 grants listed in the computer, with a value of $1.6 billion, the following was reported: politics and government (87 grants), $11.6 million, which amounted to .7 percent of the total; economics (34 grants), $5.3 million, amounting to .3 percent of the total. Therefore, the total grants made in these two critical areas comprised only 1 percent of the $1.6 billion spent. Further, when one analyzed the 121 (of 18,700) grants involved, only a tiny fraction dealt with policy considerations. On the economics printout, none of the grants listed even mentioned the 'corporation,' and only two grants addressed themselves to questions of income and wealth distribution.[28]

Out of the meager philanthropic support to public interest activities, one should remember Sarah Carey's finding that "many projects have had no enduring result. They can be viewed either as a short-term aid to survival or as a diversion from more fruitful lobbying designed to get the nation's public and private leadership to assume their proper responsibilities."[29]

Therefore, philanthropy's support of citizen empowerment or public interest activities has been very small; the vast bulk of philanthropic funds which do go to benefit disadvantaged minorities, including the poor, takes the form of alms or "aid to survival." Further, as found by Mavity and Ylvisaker, "the high water mark in the tide of public affairs giving, in dollar terms, seems to have been reached in the early 1970s. Signs are that the tide is beginning to recede."[30]

Fifth, the laws governing philanthropic giving create little or no economic incentive for most Americans to finance organizations that will advance their political, social, and economic interests. The charitable deduction is meaningful only to the wealthy who are in sufficiently high income brackets to recoup from their tax bill a a substantial portion of charitable donations. Thus, only 27 million Americans took any charitable deduction on their 1974 federal income tax returns; two thirds of all taxpayers utilized the "standard deduction"–the lesser of $2,600 or 16 percent of income–and therefore would obtain no material benefit from gifts to charity unless the gifts were so large as to cut deeply into their subsistence needs. And as noted in the Commission's June 6, 1975, draft of Chapter VI of its report, "for non-taxpayers, there is of course nothing to deduct their giving from."

Therefore, the wealthy have the strongest incentive to make philanthropic donations because the government most heavily subsidizes their giving. And this results in wealthy persons setting the philanthropic agenda. That their perception of public needs is different from that of most Americans is hardly surprising; they hold the bulk of the nation's disposable wealth,[31] and they have little short-run incentive or reason (other than the purest of pure charitable motives) to support activities that will take any of that wealth away via redistribution in any form. Accordingly, it is no surprise that the wealthy and the institutions they create and support generally do not look upon public interest activities as worthy of their charitable dollars. Rather, they look upon them as threats to what most wealthy people hold dearest: their wealth and concomitant power.

On the other hand, hospitals, private secondary schools and universities, and cultural institutions not only do not threaten the wealthy few, they serve them. In light of the Commission's preliminary finding that these institutions among *all* potential beneficiaries of charity are those most in need, it would be interesting to determine, for example, whether the hospitals that receive large charitable donations, *inter vivos* or testamentary, serve the health needs of the poor to any substantial degree. I wonder how many major donations were received in the last year by Harlem Hospital in New York. In fact, the question can also be framed in terms of the extent to which public hospitals serve the economically disadvantaged vis-a-vis the extent to which "private" charitable hospitals do.

Similarly, private colleges and to a far greater degree private primary and secondary schools serve a disproportionately high percentage of children from wealthy families. And, as noted above, the most prestigious private educational institutions are losing large charitable gifts and bequests because they are not favoring the children of wealthy alumni to the same degree they once did.

If private hospitals and educational institutions are largely serving the needs of the affluent, as I would imagine the data would prove, it is logical that the wealthy use their governmentally subsidized philanthropic dollars to support these institutions above all others. Similarly, it is no surprise that foundations, which by definition are creations of the affluent, put the bulk of their grants into institutions that serve the affluent.

What this demonstrates is that the laws governing private philanthropy are but a microcosm of the laws that govern most, if not all, aspects of American society: They benefit the wealthy because the wealthy possess the political power to influence the lawmaking and enforcement processes to an extent drastically disproportionate to their numbers. In other words, philanthropy is undemocratic just as the entire political system is undemocratic. Therefore, it may be chimerical of me to expect philanthropic institutions and processes dominated by the wealthy to underwrite citizen empowerment needs which, if fulfilled, will create new and powerful institutions that will work to erode the accumulations of property which differentiate the wealthy from other citizens.

Sixth, it is especially inapposite for business corporations to play any role in the philanthropic process. These entities, as argued by conservatives such as University of Chicago economist Milton Friedman, are in business for one reason only: to make as much money as possible for their shareholders. In fact, some shareholders have initiated legal proceedings to prevent corporate management from diverting to charitable institutions monies which "belong" to the shareholders. However, the real problem posed by corporate "philanthropic" activity is that corporations are the embodiment of concentrated wealth. As such, they can hardly be expected to underwrite the political needs of Americans who wish to redistribute and deconcentrate that wealth. So corporations, which can give up to 5 percent of their annual gross income to charity instead give less than 1 percent, and that 1 percent primarily supports educational institutions which serve as incubators of business talent and United Way-type social service organizations which dispense alms to the needy while leaving untouched the causes of need.

To illustrate the problem of corporate philanthropy as it affects public interest activities, a recent *Washington Post* article analyzed the plight of nationally oriented civil rights organizations, with special focus on The National Urban League. That organization's research determined that Blacks are suffering substantial poverty: "A league report on black families estimated that three out of five black families now have incomes below the Bureau of Labor Statistics' lowest budget level, and only 21 per cent of black families can be considered middle class, compared with 47 per cent of white families."[32] Although many of the organization's leaders called for "a national policy of full employment, and a federally provided minimum income for everyone," the organization adopted no strong advocacy position on these matters and totally avoided focusing any of its "statements of concern" on eradicating discriminatory practices by industry.

> The league, like several other organizations, is in a difficult position when it comes to putting pressure on private industry.
>
> Most of the 103 urban league affiliates get a considerable amount of money, assistance and good will from local business leaders. One conference participant observed that often the businesses that contribute to the league spend a much larger proportion of their money hiring lobbyists to fight some of the legislative changes that the league wants to bring about.[33]

Seventh, while commendably the Commission appears likely to endorse some relaxation of the prohibition against substantial legislative lobbying by charitable organizations, this will effectuate only a marginal enhancement of public interest activities. Although the lobbying restriction is often cited by foundations and potential large donors as an excuse for avoiding public interest activities, even public interest organizations and activities that never come near a legislative chamber receive only a pittance from private philanthropy. The reason, as noted above, is that public interest activity of any type, if it is effective, will fuel the fires for wealth redistribution and that simply is not in the interest of wealthy people and institutions.[34]

Eighth, I would suggest that the philanthropic processes must be democratized, probably by replacing the charitable deduction with a system of tax credits limited to $200 or $300 per person, including credits which go into the negative income zone. This would permit all Americans an equal chance to determine which voluntary organization(s) they wish to support. If, as suggested by Commission studies, this would result in a massive flow of charitable dollars away from private schools and hospitals and toward religious institutions, can the Commission make the judgment that this would be socially undesirable for anyone other than the rich? Is the Commission prepared to demonstrate the dangers of democracy? Although the Commission has articulated no values nor advanced any policies to support its conclusion, it nonetheless seems prepared to report that any diversion of tax-subsidized monies from private schools, hospitals, and cultural institutions is to be avoided *at any cost.*

I would imagine that if the tax incentives were altered and philanthropy democratized, new institutions would spring up, many of the public interest variety; that the Commission's econometric studies, which find that poorer people give a greater percentage of their philanthropic donations to religion than do rich people, are not reliable indications of where people would put their philanthropic dollars if the incentives were altered and most people could give substantially more than they presently do; that even if religious institutions did receive more money, the Commission has no basis for determining what uses the marginal increases would be put to; and that the Commission's basic mistrust of democratizing the giving process reflects a deeper mistrust of democratizing all American institutions and systems, especially the political system which sets the economic rules by which everyone must play.

Ninth, if a democratized system for government to underwrite the costs of private giving results in a substantial net loss to the public treasury, as suggested by at least one Commission study, there are many ways the political system can react. One is to find that the need fulfillment which results from democratized philanthropy obviates certain types of governmental spending (the maintenance of a welfare bureaucracy, for example) and therefore some or all of the treasury loss need not be replaced; indeed, there might be a long-run gain to the treasury. Another possibility, which is in no way inconsistent, is to replace the corporate charitable deduction with an excise tax, thereby changing corporate philanthropy from voluntary to mandatory; the tax could be geared to make up for any treasury losses occasioned by a democratized giving system which are found necessary to meet "public needs." Numerous other possibilities exist. The public sector has the full power to redistribute the nation's wealth and the number of formulas and devices it has employed and can employ are limitless; the present Internal Revenue Code is a monument to this axiom. The basic question is who pays for meeting public needs and how are they required to pay.

IV

CONCLUSION

The preceding discussion suggests that the term "public needs" cannot be mechanically defined since it involves a process that is both complicated and politically subtle. And private philanthropy is basically a vehicle to support and finance public needs which cannot or are not adequately safequarded or fulfilled by government. Thus, the question becomes "how should the private philanthropic sector determine which needs to focus its limited resources upon and how can it best direct these resources toward need fulfillment?"

The reasons why I conclude that private philanthropy should focus primarily on citizen empowerment or public interest activities are several. First, subject only to the limits of national wealth, the public sector has the power to meet all needs directly or indirectly, and must be the ultimate target of any strategy for need fulfillment. As Professor Galbraith has observed, "the role of government, when one contemplates reform, is a dual one. The government is a major part of the problem; it is also central to the remedy. It is part of the problem of unequal development, inequality in income distribution, poor distribution of public resources, environmental damage and bogus or emasculatory regulation. And yet it is upon the government that reliance must be placed for solution."[35]

Second, because government must be the target of philanthropic activities designed to meet the strongly felt economic, political, and social needs of most citizens, government cannot *directly* support the citizen advocacy function to any great degree. As stated in the Commission's May 29, 1975, draft, public advocacy organizations "can hardly be expected to function at all, or must function in fundamentally different ways, unless their support is private giving." Those who depend largely upon government for funding can rarely muster vigorous political advocacy programs designed to alter the priorities of the government which feeds them.

Third, because political power tends to be distributed in the same way (and to the same interests) as economic power, the majority's collective demands for redistribution of wealth can only come about if political power is redistributed, or vice versa. When faced with such a circular phenomenon, the only way to bring about change is to break the circle. My belief that it can be more readily and equitably broken in the political arena is based largely on the fact that the political marketplace has always had the potential for greater democracy than the economic marketplace (as it presently exists), if for no other reasons than the existence of a potentially egalitarian voting process and other individual political rights guaranteed by the Constitution.

Fourth, one need not go as far as Sir Thomas More's view that "with equality of wealth all men have everything in abundance,"[36] to endorse the need for substantial movement toward economic equality. Many, like Columbia University sociology professor Herbert J. Gans, take a more moderate view: "I believe that income and wealth should be redistributed in this country only to the extent necessary to fund the jobs and income grants required to make up the minimum income."[37]

What does seem clear is that absent more broad-based redistribution than presently is taking place – redistribution of both wealth and political power – the growing instability of America's basic economic and political institutions threatens a far more profound and revolutionary future course of events than is proposed in this paper. Hannah Arendt spoke of

> an increasing disarray in the very foundations of our political life. . . . We may well stand at one of those decisive turning points of history which separate whole eras from each other. . . .
>
> At such moments in history when the writing on the wall becomes too frightening, most people flee to the reassurance of day-to-day life with its unchanging, pressing demands.[38]

The Filer Commission would do well to remember the venerable adage that "those who do not learn the lessons of history are condemned to repeat it." When the polity loses touch with its citizens, when most people feel disillusioned, let-down, alienated, and yet powerless to do anything about it by working within the system, then the system is in troubled waters which tend to flow in a revolutionary direction. Thus, it is in the interest of all who believe in the equity and viability of the American economic, political, and social system to work to recreate in citizens a sense of involvement and power over their own destinies.

If the growingly divisive climate in America is to be abated, it will come only when most people feel that they are part of the system, not its slave or its victim. Equality, as de Tocqueville pointed out over a century ago, is the glue that holds this nation's political culture together, and the rising demand for economic, social, and political equality will not be appeased or tranquilized by the *noblesse oblige* approach to philanthropy which is the status quo and, with minor exceptions, the gospel of the Filer Commission.

Rather, the Commission would do well to examine the society it purports to serve, the public whose needs it seeks to serve. If it does so, as it initially set out to, it is likely to reach the same conclusion as the National Conference of Catholic Charities:

> In order to foster individual freedom and liberty, the spirit and programs which Catholic Charities sponsor should be of such a nature as to discern, to call attention to, and to prevent the causes of bondage and oppression. Catholic Charities then must stop wishing to resolve the poverty, the misery, of the oppressed by individual sets of charity alone. . . .
>
> Programs benefit people only when they contribute to the individual's freedom and independence. Catholic Charities must commit itself boldly to the complete liberation of man so that he can be the real artisan of his destiny, the shaper of history, the free active builder of his future.[39]

Afterthoughts

This paper, because of time and space limitations, represents only an overview of serious and complicated questions. As such, many topics that require thorough analysis and explication are treated summarily. However, I do not apologize for this; had the Commission spent its time and money as it promised, profound research papers by experts would have been prepared addressing the questions listed here. Instead, the Commission devoted its research primarily to technical analyses of the tax laws and the present beneficiaries of major private philanthropic giving, most prepared by the beneficiaries themselves and therefore highly self-serving, to say the least.

Several key phenomena regarding public needs have, however, been either glossed over or totally elided in this paper. One is the role of America's philanthropic system in meeting the needs of non-Americans. Another is a comparative analysis of the various domestic needs for goods and services.

Although these deficiencies cannot be overcome without conducting an enormous and time-consuming study, I would like to attempt to illustrate the direction such a study might take so as to make clear some of the problems with which the Commission must grapple before it can credibly claim to have thoroughly examined private philanthropy and public needs.

Food is a basic necessity of life and, for as long as history chronicles the workings of organized society, hunger has been the one human condition that civilized societies would not tolerate. Private philanthropy was long the mainstay of Western civilization's efforts to combat hunger. Yet the Filer Commission has conducted no study of hunger in America or abroad. Nor has it even listed food as a primary public need. Presumably, private philanthropy, to the extent the Filer Commission speaks for it, regards food and hunger as needs to be dealt with solely by government, although the reasons for this conclusion are nowhere to be found in the Commission's reams of studies and drafts.

Unlike health care, which state, local, and federal governments provide to many indigents without charge, the basic governmental food dispensing services--food stamps and school lunches--require those eligible to pay part of the price. For this reason and the fact that retail food costs have been rising substantially faster than food stamp subsidies, the Senate Select Committee on Nutrition and Human Needs recently concluded that "over the past three to four years, our nation's needy have become hungrier and poorer."[40]

Moreover, poor dietary education, often coupled with poverty, is resulting in massive malnutrition in this nation. The Department of Health, Education and

Welfare in February 1975 released preliminary findings of its three-year-old Health and Nutrition Examination Survey ("HANES"). What HANES reveals is shocking situations such as the following: more than 72 percent of Black women of child-bearing age do not ingest enough calcium, whereas nearly 56 percent of white women, 34 percent of Black men, and 17 percent of white men have calcium-deficient diets; 49 percent of those below the poverty line are deficient in vitamin A; and 49 percent of low-income Black women of child-bearing age, 29 percent of white women in that category, and 41 percent of the low-income elderly suffer from protein deficient diets.

Since these dietary deficiencies are a major cause of disease, birth defects and retardation, and inability to work productively, they indicate that the nation's health needs are inextricably entwined with the nation's nutritional needs. Yet the Filer Commission has concluded that philanthropic monies should go to hospitals to treat diseases, many of which could be prevented if the public receives adequate nutritional education and commodities.

Now if we compare the public need for nutrition in America with the need for private secondary schools, which are among the Commission's top priority beneficiaries, the Commission's values become truly suspect. I am sure that Exeter, Choate, and Groton are wonderful schools and turn out well-educated young gentlemen who will be able to fill the leather armchairs of Wall Street. But compared with the social blight of hunger and poverty, the brain-injured children being brought into a nation which produces more food than it can possibly consume, it is positively inhuman to maintain a system that directs millions of philanthropic dollars to school rich young men while poor (and many not so poor) people are starving.

While the American poor, the bottom 20 percent on the income scale, spend an average of 40 to 60 percent of their disposable income for food, in many poorer nations over 60 to 70 percent is spent on food. This leaves little for any of the amenities which the Filer Commission has determined to be primary public needs. Just as the rich are to the poor in America, America is to third world nations where famine is common and serious malnutrition is the rule rather than the exception. If the world's 3.8 billion people all consumed food at America's level, world food production would have to be increased almost eight times.

This merely illustrates that maldistribution of wealth is an international, not simply a domestic phenomenon. Surely the Commission is not so naive as to believe that America is an island and can insulate itself from the rising demands of lesser developed nations, that we spread the wealth around, that we consume less and redistribute more to those most in need. Are we not facing public needs on an international scale which threaten to undermine not only America's power and prosperity but its stability?

Of course these are momentous questions which should not be treated lightly. But they should be treated, before any entity offers to the public an evaluation of the role of philanthropy in meeting public needs. It is perhaps useful to end on an historical note of great pertinence to the Commission for which this paper is written. William Hazlitt, analyzing Malthus, stated that

> if Malthus means that the wants of the poor arise from the impossibility of procuring food for them, while the rich roll in abundance, or, we will say, maintain their dogs and horses etc., out of their ostentatious superfluities, he asserts what he knows not to be true.[41]

Dogs and horses, Hazlitt wrote, "eat up the food of the children of the poor."

Footnotes

1. Commission on Private Philanthropy and Public Needs, draft report, Chapter VI, p. 22.

2. Robert H. Bremner, "Private Philanthropy and Public Needs: Historical Perspective," paper prepared for the Commission on Private Philanthropy and Public Needs.

3. See A.M. Wiggins, Jr., and Bert W. Hunt, "Tax Policy Relating to Environmental Activities and Public Interest Litigation," paper prepared for the Commission on Private Philanthropy and Public Needs.

4. Kenneth J. Arrow, "Taxation and Democratic Values," *The New Republic* (November 2, 1974), p. 23.

5. Bremner, op. cit.

6. Daniel Bell, "The Revolution of Rising Entitlements," *Fortune* (April 1975), p. 98.

7. In 1975, 29.5 million Americans were living below the governmentally defined "poverty line," and another 4.5 million were classified as being "near poor." Thus, based on the federal government's none-too-liberal definition of poverty, some 16 percent of the population is poor.

8. Professor Bell notes that since 1950 we have seen a rise in federal spending on social welfare programs from $10.5 to $170 billion, from less than one quarter to about half of the federal budget. Including some $250 billion of state and local governmental expenditures for social programs, governmental outlays, which consumed 4 percent of national income in 1950, now total about 15 percent.

9. Whether the donations of appreciated property and other tax-deductible property and monies by affluent persons to private educational institutions is strictly a charitable activity is open to serious question. A recent newspaper article documents that Yale University is losing millions of dollars of contributions from alumni because it is no longer giving favored admission treatment to the offspring of alumni. See "Unhappy Yale Alumni Charge Bias, Cut Gifts," *Washington Post* (August 4, 1975), p. A4.

10. The Peabody Fund made grants only to public schools, designed to improve public educational systems serving those persons most in need of improved educational opportunities. One of the foundation's operating principles is worthy of quotation: "That we give special attention to training of female teachers for Primary Schools, rather than to the general culture of young men in Colleges, who will be likely to teach in *the higher schools for the few.* [emphasis added]" Bremner, op. cit.

11. A de Tocqueville, *Democracy in America,* Phillips Bradley, ed. (Vintage, 1945), Vol. 1, p. 208.

12. See Walter DeVries, "American Perceptions of Parties, Institutions and Politicians," prepared for Harvard University J.F. Kennedy School of Government conference, June 10, 1975.

13. See "Alienation and Politics: What the Electorate Is Telling Us," Cambridge Survey Research, June 1975; DeVries, op. cit.

14. A recent Harris poll found that almost three fourths of all Americans believe that government is substantially more responsive to "special interests" than to the needs of "the people." Perhaps even more disturbing are the results of a broad public opinion survey of America's *young* adults; it found that over 60 percent, both college and non-college educated, "believe that the country is democratic in name only and is run by special interests." Most perceive "big business" as the special interest with the most political power, followed closely by financiers and organized labor. D. Yankelovich, *The New Morality: A Profile of American Youth in the 70's* (New York: McGraw Hill Paperbacks, 1974), pp. 45, 116.

15. Statement of George G. Galloway, *The Washington Lobby* (Congressional Quarterly, 1974), p. 8.

16. Ibid., p. 73.

17. John Kenneth Galbraith, "What comes After General Motors," *New Republic* (November 2, 1974), p. 13.

18. Mavity and Ylvisaker conclude that the "fundamental question" facing the public and philanthropists is, "Why, in a society that values equality of opportunity so highly, should such a vital process as the private allocation of otherwise-taxed resources continue to be so organically tied to private wealth? Isn't it time to democratize philanthropy, and make certain, as we have with other vital processes, of more equal access and participation?" Yet the authors' only answer to this apparently rhetorical question is that "it may be too early in the evolution of a more democratic philanthropy to provide immediate institutional answers." Jane H. Mavity and Paul N. Ylvisaker, "The Role of Private Philanthropy in Public Affairs," paper prepared for the Commission on Private Philanthropy and Public Needs.

19. The Filer Commission's two other research papers dealing with public interest matters are both framed descriptively and narrowly. The Wiggins and Hunt report on environmental activities and public interest litigation is specifically framed as an analysis of "tax policy relating to" these activities; it contains virtually no analysis of the public need for public interest activities, environmental or otherwise.

Sarah C. Carey's paper, "Philanthropy and the Powerless," describes "the basic fact . . . that philanthropy is not interested in supporting social activism or the interests of the powerless except, to a limited extent, through established institutions. Against that larger fact, this paper examines a number of examples or case histories where the very small level of funding that has been addressed to these areas has had a substantial impact. In many ways, it is a detailed examination of the needle in the haystack."

Carey's paper focuses not on public needs as such but rather on organized philanthropy's, and especially private foundations', failure to commit substantial resources to citizen action efforts on behalf of the poor. Therefore, its "recommendations are addressed to improving the present set-up rather than replacing it. Consideration should be given also to more radical ideas such as replacing foundations with quasi-public bodies, etc."

However, the Carey paper contains several useful indepth analyses of the workings of public interest organizations and the highly leveraged effect of philanthropic dollars contributed to such organizations.

20. Compare the statement at p. 20, Chapter I, of the Filer Commission's May 29, 1975, draft report: "As government's role in many areas formerly dominated by nongovernmental groups grows ever larger, and the voluntary role grows correspondingly smaller, the monitoring and influencing of government may be emerging as the single most important and effective function of the private nonprofit sector."

21. I am a member of the council's board of directors and, until earlier this year, served without compensation as its general counsel.

22. For example, the Council on Economic Priorities, which conducts research about the social impact of corporate activities, with primary focus on questions of equal employment opportunities, environmental impact, product safety, and similar factors, was recently requested by the SEC for input to the agency's inquiry on whether publicly held corporations should be required to disclose to the investing public data regarding (a) environmental effects of corporate operations and (b) employment of minorities and women.

23. I am presently representing the council in legal action instituted by Sears, Roebuck and Co. to prevent the Labor Department from releasing to the council copies of Sears' facility-by-facility reports showing the numbers of women and minority group members employed in different job categories and pay scales and what efforts Sears is making to assure equal employment opportunities and to eradicate patterns of discrimination.

24. In the *Sears* case mentioned in the preceding footnote, the council has utilized the expert testimony of several economists in an effort to refute Sears' argument that public release of its data will cause it competitive injury.

25. See Mavity and Ylvisaker, op. cit.; Carey, op. cit.

26. Commission member Alan Pifer, president of the Carnegie Corporation, has written that "among all public policy areas needing foundation attention, the case for social justice is probably most compelling." Carnegie Corporation of New York, *Annual Report for 1974*, p. 10.

27. See Carey, op. cit., pp. 1141-44.

28. A. Gillies, "Real Politics," *Foundation News* (February 1975), p. [illegible]. In contrast to the meager philanthropic dollars flowing to public interest activities, one should compare the volume of funds flowing to the "traditional" beneficiaries of organized charity which the Filer Commission has found to be "most in need" of continued support. Education consumed 50 percent of all foundation grants in fiscal 1973, with 78 percent of the total going to higher education. Foundation grants totaled only 9 percent of educational expenditures by the federal government. Report to the Commission on Private Philanthropy and Public Needs by The National Planning Association, "Private Foundations and Federal Government Support for Education and Education-Related Activities, Fiscal Year 1973" (July 1974).

Meanwhile, health and health-related activities consumed some 31 percent of all foundation giving in fiscal 1973, less than 1 percent of national expenditures for health that year. Report to the Commission on Private Philanthropy and Public Needs by The National Planning Association, "A Comparison of Federal Government Expenditures and Private Foundation Grants for Health and Health-Related Activities for Fiscal Year 1973," (April 1974).

Arts and Humanities consumed some 10 percent of foundation giving in fiscal 1973, about 20 percent of all philanthropic support to arts and humanities. National Planning Association, "Foundation and Federal Government Support for the Arts and Humanities, Fiscal Year 1973," (August 1974.)

Thus, the Filer Commission's own studies show that its most favored areas of giving are also those most favored by the nation's foundations – education (mostly higher education), health care, and the arts and humanities took a total of 91 percent of all foundation giving in fiscal 1973, and there is no reason to believe that there has subsequently been any serious change in these figures.

In contrast, the broad category of "civic and public affairs" received 12.5 percent of foundation giving in fiscal 1973 (presumably the fact that this results in a total of over 100 percent is accounted for by double counting). The National Planning Association, "Private Foundation Support for Civic and Public Affairs, Fiscal Year 1973," (August 1974). Of this total, "ensuring the rights and participation of all members of society" received 38 percent, or 4.75 percent of all foundation giving. However, this figure represents a conglomerate of activities, some of which are purely educational (e.g. management and vocational training for minorities) or totally meaningless (e.g. urban amenities). Therefore, the Commission's own studies basically confirm Gillies' finding that a very low amount of foundation giving – somewhere around 1 percent – finds its way into public interest activities.

29. Carey, op. cit., p. 1116.

30. Mavity and Ylvisaker, op. cit., p. 815.

31. For example, only 6 percent of all decedents' estates are subject to federal estate tax, which exempts only the first $60,000 of an estate's value from taxation.

32. Austin Scott, "The New Apathy and the Poor," *Washington Post* (August 5, 1975), p. A 16.

33. Ibid.

34. Note Sarah Carey's finding that "lobbying and representing special interests is the bread and butter of policy making in this country. Basic social change can only occur in that context. However, the terms of the Tax Reform Act of 1969 have prevented most philanthropic donors from supporting this type of activity even when it is on behalf of the powerless." But Carey also found that "there have been few philanthropically supported programs that have promoted long-range social planning, that have projected fundamental alterations in the economy, or that have studied ways to redistribute the nation's wealth."

35. John Kenneth Galbraith, *Economics and the Public Purpose*, Chapter XXIV.

36. *Utopia* (Washington Square Press, 1965), p. 37.

37. "How Equal, Equal How?" *The Columbia Forum* (Spring 1975), p. 36.

38. Hanna Arendt, "A Bicentennial Address," *New York Review of Books* (June 26, 1975), p. 3.

39. *Toward a Renewed Catholic Charities Movement*, Preliminary Report, Phase I, September 11, 1971, p. 3.

40. About 36 percent of those eligible for food stamps now are not receiving them at all. Therefore, some 24 million needy Americans are not obtaining the assistance due them. Since the average four-person household receiving food stamps earns $3,456 per year, we are talking about people who are very poor indeed.

41. William Hazlitt, *Political and Philosophical Essays*, 1807.

VALUES, VOLUNTARY ACTION, AND PHILANTHROPY: THE APPROPRIATE RELATIONSHIP OF PRIVATE PHILANTHROPY TO PUBLIC NEEDS

David Horton Smith[†]

Introduction

The Filer Commission undertook to investigate how private philanthropy has related and should relate to public needs. It is striking, therefore, that the papers it has so far commissioned have been exceedingly narrow in their definitions of either philanthropy or public needs. While often presenting useful and interesting facts and opinions about certain aspects of private philanthropy and public needs, they have for the most part studiously avoided a hard look at the "big picture" in the context of historical trends and humane values. Several of the papers seem to be self-serving, either for particular nonprofit institutions or for wealthy individuals and institutions, whether for-profit or not-for-profit.

The present paper represents an admittedly imperfect attempt to take a "public interest" and humane value perspective on private philanthropy in relation to public needs – without ducking the very difficult questions of what is meant by each of these concepts. In addition, we shall attempt to do this in such a manner that the relevant contributions of the other major sectors of society (that is, the family, business, government) are taken into account. Because this is an overview paper, we cannot hope to do justice to the fine grain of detail that is needed if a full understanding of these problems is to be reached. Yet we can and will attempt to suggest how more detailed understanding might be achieved – the methods of procedure that might be used to do justice to the subject matter.

This paper is divided into four main parts:

1. **Values and needs, public and private.** A discussion of what people care about and what they need, with some attention to how one *determines* what people care about and need, and to what extent these needs are anybody's business but one's own. The extent of Filer Commission attention/inattention to each need or value is assessed.

2. **Institutional need satisfaction mechanisms, including philanthropy.** A discussion of how we satisfy needs, particularly through institutional mechanisms such as the family, business, government, and philanthropic groups, with some attention to how the roles of these different sectors have changed in the past and how they might be changing in the present and into the future, given broader historical trends.

3. **Evaluation of the relationships between needs and institutional need satisfaction mechanisms.** A discussion of how well the various needs and values of people are satisfied by the various institutional need satisfaction mechanisms, with particular attention to the role of the private, nonprofit, independent, voluntary, philanthropic sector, and within this sector to the role of major philanthropy (by wealthy individuals, corporations, and foundations). Throughout this part of the paper we address questions of the appropriateness, in terms of humane values, of existing or prior relationships relative to optimal arrangements and roles.

[†] Associate Professor, Department of Sociology, Boston College; Association of Voluntary Action Scholars.

4. Strategies for improvement of the present situation. A discussion of the kinds of changes that need to be made in general if currently inappropriate relationships are to give way to more appropriate arrangements, with special attention to the relative roles of government and private philanthropy in dealing with different types of needs and values of people. This will include a consideration of forces for change and forces resisting change, parts of the solution and parts of the problem.

I

VALUES AND NEEDS, PUBLIC AND PRIVATE

The Filer Commission aims to deal with "public needs," yet nowhere has there been either a careful definition of this concept or a thorough discussion of the kinds of needs and values that it encompasses. Clearly the task is a difficult one, but it must be dealt with directly since it is crucial to the whole enterprise. If the term "public needs" is defined very narrowly or arbitrarily, then the entire activity of the Filer Commission will be likely to serve special interests, and probably dominant, elitist, special interests rather than the weaker, disadvantaged special interests or public interests.

The starting point for a definition of public needs must be a consideration of human needs in general. What do people care about? What factors make for a high quality of life and for general satisfaction with life? What kinds of needs do people in general tend to have? These are questions on which massive amounts of research have been done, and even without such research they could be answered quite well in common sense terms.

The critical problem in dealing with human needs is to be sufficiently inclusive so as to do justice to the full range of needs and values, rather than limiting consideration to those particular needs that we ourselves or some other particular group or person considers problematic (that is, unmet). All needs and values, we would argue, are relative to particular individuals or sets of individuals, yet there are many broad similarities in needs and values among individuals, just as there are also many differences.

Leaving aside the more technical definitions of psychologists, we may say that human needs refer to those situations, circumstances, and end-states that people want, care about, and try to achieve and that provide either a decrease in dissatisfaction or an increase in satisfaction when achieved. In this sense, a human need is a *tendency* (or disposition) to pursue and prefer certain circumstances or ends. If the circumstances or ends involved (food, physical warmth, clean air, supportive interpersonal relations, for example) are achieved with an appropriate frequency, we may speak of *fulfilled needs* or *met needs*. If the ends involved are not sufficiently met in terms of quantity, quality, or frequency, then we may speak of *unmet needs* or *unfulfilled needs*.

The terms "value" and "concern" can roughly be taken as synonyms for the term "need" as defined above. All three concepts, along with many others (for example, desire, wish, motive), refer to the fact that people want certain objects, situations, or end-states. The situations or things that fulfill needs, values, or concerns can be called "needed objects" or "valued objects" (or "needed/valued situations") or "goods." Hunger is the need; food is the needed object or "good" (in the economist's terms). This distinction is extemely important because it is very quickly ignored in discussions of human services and human needs. Too often those in control of powerful service bureaucracies assume that provision of a valued or needed object is the same as satisfaction of the need itself. Not so. Provision of food through a food stamp program or health care through Blue Cross-Blue Shield reimbursement arrangements does not mean that all or even most people with the corresponding need have access to the needed object or situation and/or are satisfied with what they receive.

So defined, there can be an almost infinite variety of needs, corresponding to the desires of individuals for all manner and varieties of objects, situations, services, experiences, and so forth. But, like anything else, similar specific needs can be classified into broad categories of general needs. For present purposes, we need to find an adequate general categorization of needs that can accommodate most of the needs of most of the people for most of the time.

In fact, the foregoing suggests how we might for present purposes define "public needs" by contrast with "private needs." *Public needs* may be defined as those human needs that represent broad categories of general needs which characterize substantial numbers of the population of a territory (whether a neighborhood, city, SMSA, state, region, nation, continent, or the world as a whole). *Private needs* would be the residue of human needs that are highly specialized and limited in their application to only a very small portion of the population. Obviously there is a sliding scale involved, with the actual dividing line between public and private needs, in the sense just defined, and its application being a matter of both empirical and theoretical dispute. The dividing line will also vary over time and according to the territory and population being considered.

In any event, the crucial defining characteristic of public needs is that they are *human needs or values that many people have in common*. This does not mean that they must characterize everyone, let alone be unmet needs for everyone. It is sufficient that a substantial number or proportion of people (perhaps 25 percent in smaller populations, or as few as 10 percent for the U.S. as a whole, which would be about 21,000,000 people) have the need for it to be important. And to say that a human need is a public need does not necessarily imply that government agencies at one or another level are automatically responsible for its satisfaction. To designate a need as a public one merely means that its satisfaction should be of broad concern to those interested with social policy and the institutional mechanisms of need satisfaction, whether philanthropic or otherwise. Nor does the presence of a public need mean that it is unmet; this is another question.

Because public needs are by definition so widespread and common to many people in a population, they usually become the focus of broad public attention. This is in contrast to very narrowly defined or specialized private needs that characterize very few people and hence are seldom the focus of broad public attention, unless their satisfaction interferes with the satisfaction of public needs. It is in this sense that public needs are to some extent "everybody's business," while private needs are "nobody's business." (However, it is possible for a public need to be relatively obscure if people in general are relatively unaware they share the need.) Our highly developed interdependencies on each other in modern society necessitate our joint and mutual consideration of institutional satisfaction mechanisms for *any* needs that characterize substantial numbers of our population, irrespective of whether we personally find these needs good, bad, or indifferent. The point is not that public needs are necessarily "good" or "right" in some higher ethical or religious sense, but that public needs are simply *there*, they exist and cannot be ignored with impunity.

Note that the present approach to human needs is an open-ended and essentially empirical one. It allows for changing needs over time and variations among the needs expressed by different populations. By the same token, this approach does not begin by *assuming* that certain needs are "better" or more important than others. There is clearly a hierarchy of needs present in most individuals and populations, perhaps all. But what this hierarchy is remains to be determined empirically for a given population, just as the distinction between public and private needs also remains to be empirically determined. There is also clearly some conflict among different public needs, but this also is a matter that can largely be determined empirically, since the degree of conflict depends very much on how strongly two logically opposed needs are each held, and on what tradeoffs and compromises are possible.

Though we need make no assumptions about hierarchy or conflict of needs, we do for present purposes have to make some assumptions about what a relatively small set of basic public needs might be. Such assumptions are not made in a vacuum or arbitrarily, however. We have as a basis for making these assumptions the work of anthropologists, sociologists, psychologists, and other social scientists and philosophers, including the more recent work in the field of social indicators. Any set of basic public needs is going to be criticized for both sins of omission and commission, yet we must start somewhere and let a broad participative discussion and data-gathering effort on the subject lead where it may.

To duck this crucial question of what a basic list of public needs might be is simply a "cop out." It would have the principal effect of letting some implicit or covert list of basic public needs rule the day, without open public discussion of what these needs might or should be. The following list is therefore offered in the spirit of inquiry and suggestion, rather than as a chiseled-in-marble finality. We would argue that the list is small enough to be graspable as a whole, but large enough to do justice to all of the basic public needs of human beings. Each of the categories of need is a broad one, naturally, encompassing many related sub-needs. In this sense, the list could be almost indefinitely expanded by separating and giving independent status in the list to various needs now classed together. This kind of expansion can be done when, as, and if necessary for specific purposes. The more important question is whether anything basic to human needs is left out entirely and cannot properly be fit into one or another of the present categories. We would argue that nothing has been left out if the categories are properly interpreted. We would also argue that each need in the present list merits independent status.

One final point of a general sort to be made is that the list below does not assume that any particular mechanisms for the satisfaction of human needs are part of basic public needs. The question of whether and to what extent we need hospitals, schools, governments, voluntary organizations, businesses, or even families is left open for the moment. Each of these can be seen as mechanisms aimed at the accomplishment of one or more of the basic public needs (and to a lesser extent private needs). But there is clearly great variation among cultures and through time regarding which institutional mechanisms relate to what basic public needs. In fact, this question of what institutional mechanisms relate to basic public needs and how they do so is precisely the issue to be examined here and that should be taken as basic to the entire Filer Commission endeavor. We cannot hope to examine the issue fully, however, if certain mechanisms for public need satisfaction are assumed at the outset to be both necessary and sufficient for the satisfaction of particular public needs. This would beg the question at issue.

Here, then, is the list of basic public needs we suggest.

II

BASIC PUBLIC NEEDS

Physical and Mental Health

Preservation, restoration, and enhancement of health through the avoidance or overcoming of all manner of potential health problems, from accidents and anxiety to suicide and venereal disease. As for all other basic public needs, the need for health is related to other basic needs, and particularly to economic well-being. Aside from giving a long list of health problems and disorders, the best way of describing the sub-needs under health is to indicate the major kinds of activities fostering health in various ways, as follows: positive health maintenance (including exercise, proper diet, carefulness, positive mental outlook), public health education and information dissemination, health specialty and professional education, chronic health problem prevention (including sanitation, immunization, accident prevention), health-related referral, health crisis prevention (for example, counseling at critical health junctures in a person's life), health problem treatment, special health support systems (including rehabilitation, special training, respite care), health-related financial support, health problem insurance systems, health system accountability and client advocacy, coordination of health-related resources, research and analysis on health-related matters.

Economic Well-Being

At the most basic level, economic well-being refers to the need for adequate food, drink, shelter, clothing, sleep, air, and other objects or situations directly related to physiological needs of human beings. Lack of any one of these basic aspects of economic well-being leads directly to health problems. However, there are many additional economic needs in a complex modern society like ours, for these basic economic needs are satisfied by a complex system of interlocking mechanisms. Thus, some additional aspects of economic well-being would be adequate transportation, availability of appropriate employment, economic security, adequate satisfaction of some consumer desires beyond basic necessities, adequate income, consumer protection, and the balance of economic growth with resources and other needs. The issues of equity and equality of opportunity in regard to economic well-being must also be raised here. More than for any other need in the present list, the need for economic well-being is closely related to nearly all of the other public needs in the list. It deals with both the basic questions of physiological survival and the availability of resources that permit other needs to be satisfied to varying degrees. This need for economic well-being is also crucial because control over economic resources translates directly into power of all other kinds.

Justice, Security, and Freedom

Justice includes not just the *negative* aspects of security of persons and property from unjust harm or seizure, the need for public order, social control, regulatory, judicial, penal, probation, and rehabilitation activities. Justice also includes the *positive* aspects of protection of equity, human rights, civil rights, individual and collective freedoms. The roots of justice as a need lie not in mere conformity to enacted or customary laws, but rather they lie in the felt concerns of human beings for the public interest and for individual equity/human rights. These concerns are in turn rooted in religious, philosophical, and moral views. Justice is also crucial to the satisfaction of any of the other public needs. In a sense, it is the preeminent public need since the achievement of justice ultimately involves the use or threat of force. And the use or threat of force can override, at least temporarily, all other considerations. When this occurs, as in the Stalinist or Nazi reigns of terror, basic survival needs (health and economic well-being) overcome the need for justice and the other needs. People do what they must to survive. Only the power or control aspect of justice is emphasized, not liberty, equity, or the public interest. Thus, if we the people do not look out for justice in its broadest sense, we shall not be able to do much about our other needs. Once lost, freedom and civil rights are terribly difficult to regain.

Education and Communication

The sharing of what is known, either directly or through some communication medium, and whether to single individuals or to sets of individuals, is a basic public need of long standing. The education-communication need includes the content of preschool, elementary, secondary, and higher education, as well as continuing and adult education, informal education, religious education, parental socialization, and general public education and information dissemination through the mass media, the mails, public lectures, discussions, and so forth. An informed people are generally better able to foster justice, economic well-being, health, and the other needs in the present list. Education and communication are thus basic enablers, just as the preceding needs have also been. Where education shades over into sheer communication of information is unclear, so both are treated as part of the same need.

Science, Technology, and Inquiry

Curiosity, the need to know more about our world and the way things work (and can be made to work better) is one root of our need for science, technology, and inquiry. Another root is the role science plays in enhancing our ability to serve other needs. While not so widespread, or salient, perhaps, as some of the other public needs in the present list, the need for science and inquiry is nevertheless quite widespread if presented in its broadest sense. The real areas of conflict have more to do with relative support for "pure science" versus more practically and immediately useful inquiry, whether dignified by the name of science or not. If the present need is put to people as, "Do you feel a need for having some people in our society trying to find out more about how things work so that our lives can be improved?" more agreement will be found than if the case for "pure science" is put to people. Just as the role of capital investment is crucial in increasing economic well-being and productivity, so also is the role of science crucial as an investment in increasing our knowledge; and in turn, increased knowledge is crucial in dealing with many of our other needs such as health, education, justice, economic well-being, environmental balance.

Even if the generalized public support for science and inquiry in the broadest sense is limited, such support is still likely to be sufficient in terms of our earlier definition of public need to justify inclusion of this need in the present list. An alternative justification can also be found in the economists' concept of collective goods, goods that can be shared by and consumed by many people simultaneously. Unlike the private goods that the business sector primarily produces and allocates, public goods are principally the concern of the government (public) sector and the voluntary, philanthropic sector. Science is a prime example of a public need whose satisfaction mechanisms constitute a collective good. However, we would resist the tendency to equate our list of public needs here with the usual economists' list of collective goods, since this would be restrictive of the present inquiry process. Some of the public needs we list may be satisfied by private goods (for example, various aspects of economic well-being) and some will be satisfied by public goods, in the technical sense of economists. And needs are not the same as goods in the economic sense. (See James Buchanan, *The Demand and Supply of Public Goods*, Chicago: Rand McNally, 1968, for a general discussion of the theory of collective goods.)

Religion, Philosophy, and Idealism

The need for religion in the broadest sense reflects a concern for the ultimate value and meaning of human existence in the universe. This need must be interpreted broadly to include not only worship, religious education and missionary work of the traditional theologies and religions, but also the newer and sometimes secular philosophies, ideologies, moralities, and world views. Whether old or new, these ideologies all speak to the human condition and to the problems of what is good, right, valuable, and worth doing. In this sense they all represent different approaches to idealism as it applies to human behavior and human ends. As such, they all reflect in some way a concern for altruism and the public interest.

Peace and Social Integration

Perhaps it is overly hopeful or optimistic to include peace and social integration in a current list of public needs, yet recent empirical studies of the attitudes of our people toward war and conflict generally bear out the inclusion of this public need. Human beings everywhere probably respond more deeply to the long-term need for peace and social integration than to the counter-need for war and social conflict. The sub-needs under the present heading would include the needs for mutual understanding among different peoples (whether they are different in geography, nationality, race, ethnicity, language, age, sex, religion, politics, economic status, or whatever), for mutual respect, mutual acceptance and recognition, as well as for the more negatively phrased needs for prejudice reduction and conflict reduction, and the finding of constructive outlets for agression, anger, hate, and fear.

Esthetic Experience, "Culture," and Entertainment

The need for esthetic experience, like other needs in the present list, is often very narrowly interpreted in order to serve the special interests of particular groups or institutions. As we would define it, esthetic experience refers to the creation, re-creation, or enjoyment of beauty in any of its numerous forms — the experiencing of objects, events, or situations that directly bring sensory and perceptual pleasure. We add the term "culture" only because many people narrowly identify this term with esthetic experience. In fact, the use of the term "culture" tends to involve the rather elitist and "more-sophisticated-than-thou" attitude that some forms of esthetic experience are intrinsically "better" than others. Such an attitude, while comforting to its possessors, generally reflects customary social preferences rather than clearly demonstrable differences in "intrinsic merit."

Thus, the public need for esthetic experience as used here includes not only the performing and plastic fine arts and literature, but also folk art, popular art, folk and popular music, decoration, movies, popular books and magazines (especially fiction), much of TV and radio programming, recordings, handicraft objects, esthetic enjoyment of nature, and even sexual pleasure. In short, the need for esthetic experience includes the full range of objects, situations, and events that bring direct sensory and perceptual pleasure. Such experience includes both what some would call "true culture" as well as what they might call "mass culture" and mere "entertainment." Hence we recognize differences in esthetic tastes without arguing for any absolute hierarchy of tastes.

Leisure and Recreation/Relaxation

This need is in part a residual category, since several of the other needs in the present list refer to activities that take place in what is technically discretionary or leisure time. The present need for leisure and recreation/relaxation includes a variety of both passive and active, collective and individual ways of spending time pleasurably in pursuit of sports, games, hobbies, or simple relaxation. This category of public need shades over into the former category of esthetic experience, on the one hand, and over into the next category of emotional expression and interpersonal relations, on the other hand. The emphasis in the present category is on doing something enjoyable that is not directly involved with perceptual pleasure and beauty, or on doing nothing much at all as a form of enjoyment.

Emotional Expression and Interpersonal Relations

This need is so basic to human beings that many people either ignore it or take it for granted. Yet in highly urbanized, anonymous, alienated, mobile, modern society it cannot be ignored, any more than it could be in earlier times. The need for emotional expression and interpersonal relations is a recognition that humans are social beings who need love, affection, friendship, fellowship, interpersonal communication, and the opportunity to share feelings and perceptions directly with at least a few other people. There may be marked variations in how much people need other people and how closely people relate to others emotionally, yet the fact remains that true hermits and catatonics are very rare. People need people.

Participation, Involvement, Efficacy, and Power

Another neglected public need is the need for participation and involvement in societal decision-making processes. We find today greater levels of alienation in our population than ever before, an almost total disaffection from the major institutional bureaucracies and power structures of our society. Such alienation is only surprising to those who are unaware of the widespread human need to have some power, efficacy, and involvement in the decisions that affect one's life. We all need to feel that we can have some influence over our basic living and working arrangements and the satisfactions/dissatisfactions that flow from them. This need for participation and involvement can manifest itself not just in traditional political processes but also in economic and business contexts, in matters of consumption, in family matters, and in voluntary action and interpersonal relations. In many different contexts we need and want a "piece of the action" – a sense of making a difference and sharing in power.

Ecological Balance and a Decent Environment

The underlying need to bring ourselves into better balance with nature and our natural resources is only slowly gaining widespread public recognition, but the more obvious symptomatic needs for pollution reduction, natural-area preservation, energy conservation, population control, improvement of urban and rural environments, adequate solid waste disposal, recycling, and so forth have already reached a high degree of public awareness. We are endangering ourselves as a species on our "spaceship earth" by many of our current practices involving natural resources and the natural environment. Some of the pollution processes and other natural changes we have set in motion can become and are near to becoming irreversible. If we do not pay increasing attention to solving the problem of ecological balance, we may not have any other needs to consider as a species.

Social Welfare and Social Services

This public need is also somewhat of a residual category. It refers to the multitude of special services that do not clearly fall into other public-need categories but that characterize substantial numbers of people. Defined more positively, social welfare includes the need for general counseling and referral for people with family or other problems, emergency provision for economic well-being in times of personal or family crisis, assistance to migrants and immigrants and travelers, adoption services, and aid to unwed mothers and runaways. These highly varied examples have in common the fact that the members of some category of persons are facing serious problems and dissatisfactions because of their social situation.

One might say that the need for social welfare is most broadly the need for help from other people as a result of some kind of essentially social distress — a dislocation or lack that is the result of existing social pressures, demands, and mechanisms. Yet many of the needs and activities that are often classed in this category can be better fit elsewhere (for example, friendly visiting and big brother programs might better be classed under the need for emotional expression and interpersonal relations; special language programs for non-speakers of English might better be classed under education and communication; youth programs might better be classed under leisure and recreation). The tendency to stretch the limits of the category of social welfare as a public need may in part be attributed to the desire of professionals in the field of social work and social welfare to define as broad and important a field for their work as possible. It is also true that the present category naturally shades over into various other categories, and is in some ways interdependent with them.

Social Change and Adaptation

More than ever before there is a need to sense, design, experiment with, evaluate, advocate, and adapt to social change. Things are changing so fast that we are all suffering from "future shock." Yet most people are dissatisfied with at least some of the ways in which things are currently done. Many people are dissatisfied with many aspects of current social arrangements and mechanisms for the satisfaction of public and private needs. In this situation there is a need for improving our productivity of, and sensitivity to, the potentials of social inventions and innovations. There is a need for greater flexibility in dealing with innovations and change. We need ever more effective "feedback systems" to tell us what is working well and what is not and why. This means we need widespread social monitoring of a sort that can point out when "the emperor has no clothes" (as was the case with a recent "emperor," we may recall). We especially need people and groups who are courageous and creative enough to advocate effectively change in the public interest, change in the direction of satisfying more fully all of the foregoing kinds of public needs.

This is not to say that all social change and all social inventions are good or in the public interest. But those changes and inventions that are clearly in the public interest and that will help fulfill unmet public needs should receive our wholehearted support. Those people and groups who create, advocate, or implement such changes should be supported and respected rather than resisted and shunned, as is so often the case. The dominant organisms on this planet are by many measures the insects, and they have achieved their dominance by their collective ability to adapt quickly and effectively to change and to available opportunities for survival through genetic mutation and rapid breeding. Our own species cannot depend on rapid breeding and genetic mutation, yet we must also adapt quickly to change and survival opportunities if we are to make it. We stifle creativity and social invention only at our mortal peril.

International Perspective and Relations

It is increasingly a small world. What happens anywhere increasingly affects what happens somewhere else – in another country or even continent. We are increasingly dependent on other nations and their people and institutions for the satisfaction of our own basic needs. There is no sphere of public needs that is untouched by international (or at least transnational) dependencies and implications.

Therefore, we have a public need to develop, maintain, and enhance an international perspective on everything we do. We need to think how our own physical and mental health are linked to that of other nations, how our own economic well-being is internationally linked, how our own achievement of justice-security-freedom is linked internationally, and so forth. Once such links have been explored, we can then seek more optimum relations with regard to other nations, their people and institutions, in terms of our attempts to deal with each of our public needs.

To state the public need for international perspective and relations does not imply that we need either to control or be controlled by any other nation or set of nations. We simply need to take careful account of our international connectedness and act accordingly in advancing the satisfaction of all other public needs.

III

VALIDITY OF THE PUBLIC NEEDS LIST

Given the foregoing set of public needs as hypotheses or suggestions, how could we confirm or disconfirm their relevance and validity? There are several ways of doing so, but one way in particular has, in our view, special validity.

One way would be to take an adequate poll of those persons officially involved in the Filer Commission, but the clearly unrepresentative nature of the latter group would render such a poll not necessarily useless (as a sample of elite opinion) though certainly of doubtful validity for our society as a whole. Another way would be to take some kind of adequate poll of organizations, institutions, and groups knowledgeable about (but doubtless with a special vested interest in) the various needs and values included. This approach makes no provision for objectivity and almost guarantees that any needs included will be validated by the corresponding organizations concerned with them. The "deck can be stacked" against or for particular needs in the list being tested simply by including or excluding the appropriate organizations or individual representatives with the relevant vested interests. For instance, if one fails to poll environmental organizations about the public need for ecological balance or to poll peace organizations regarding the need for peace, but includes educational organizations on the subject of education and health organizations on the subject of health, the results are clearly biased.

It would seem that the foregoing two inadequate approaches to determining public needs have so far been taken on the whole by the Filer Commission, using a more limited list of needs than the one suggested here. It is not much of an improvement to include token attention to the so-called "Donees" and social action/change oriented groups, although such an action is at least a step in the direction of broader representation of thought and values and needs.

Another approach to validating a list of purported public needs is to leave the task completely to "the experts" – economists, sociologists, psychologists, lawyers, and so on. If experts can agree (which they seldom do, of course) on the appropriate list of public needs, this will be a sufficient validation some will say. This at least has the positive feature that "experts" are supposedly objective and have "in theory" no vested interests in particular needs or mechanisms for satisfying them.

But this "theory" of objectivity is false and self-serving. "Experts" are people like anyone else and have a variety of specialized need preferences, vested interests, and connections with institutional mechanisms that provide rewards for certain kinds of endeavors and punishments for others. Would it be any surprise if the "experts" concluded that science and education were the foremost values, or at least of much greater importance than the average person might think?

This is not to say that experts in various fields have *no* objectivity or that they can make *no* contribution to the present endeavor; far from it. We are merely saying that experts are not representative people and have special biases and vested interests of their own. There are, it seems, at least two ways in which experts in the social sciences and professions can make useful contributions to the present problem of validating a list of public needs. On the one hand, they can provide empirically grounded theories regarding the importance of certain public needs to our individual and collective welfare and quality of life. Examples of this would be the work of economists on the nature of collective goods, the work of sociologists and others on the components of quality of life, or the work of psychologists on the pattern of human needs and values. On the other hand, experts can be very helpful in providing *methods* for developing lists of public needs (or their sub-components) and for validating these lists empirically through surveys and studies of public preferences, attitudes, beliefs, and behavior.

We would argue that the list of public needs presented earlier draws on the various theories of relevant experts regarding human needs and public needs in particular. Naturally, it will not find general agreement among the experts on this score, since it was created by a single person rather than through some kind of participative consensus process. But it may serve well as a starting point for future work, drawing on most major schemes regarding quality of life and public needs. More comprehensive and participative public need derivation processes can be followed if enough people have the will to do so. So far this issue has been generally avoided or dealt with implicitly and off-handedly by the participants in the Filer Commission's study process.

But the empirical side of the present list's validity from the standpoint of experts remains to be tested specifically. What is needed is a representative survey of the opinion of the American people on the importance of the particular public needs suggested, with other alternatives offered and write-ins allowed. Lacking either the funds or the time now for such a study, we must be content with the knowledge that prior studies of representative samples of Americans both nationally and in smaller territorial units have shown all of the listed public needs to be important to some substantial degree. A review of recent polls and surveys will make this clear to anyone interested. (Time and resources available prohibit a detailed review of the data here.)

In sum, the presently suggested list of public needs has some validity in terms of prior theoretical (conceptual) work as well as prior empirical work of relevant experts in the social sciences and professions. But a full empirical testing of the specific present list against the expressed needs and values of the American people awaits the time when those with the resources to support such a study decide to have it done properly. Similarly, a more participative and deliberate process of derivation of an alternative and "better" list also awaits adequate financial support and legitimation. in the meantime, the presently suggested list of public needs has the virtue of doing greater justice to the range of human values and needs than the more limited and largely implicit list used by the Filer Commission. Therefore, we shall use the present list to critique any interpret what has been done so far by the Commission, with the ultimate aim of *constructive criticism in the public interest.* Whether and to what extent we approach this aim will be open to discussion and to the judgment of anyone interested in the process.

Relation to Implicit Filer Commission Public Needs List

It is difficult, and perhaps to some degree unfair, to speak of a "Filer Commission List of Public Needs" for comparison with the present list, since no such "official" list has to our knowledge been produced. But this is an important part of the problem we have with the Commission so far. Without such an "official" list, an implicit and unofficial one has been used to guide research and the study process. We shall attempt to describe this implicit list here and then critique it in terms of our list, to show what is left out and what the implications are.

We have inferred the implicit Filer Commission public need list from four main approaches. First, we examined the "subject areas" noted in the Commission brochure. Second, we have examined the titles of the studies officially commissioned by the Commission. Many of them refer to public-need areas such as health, education. Third, we have examined the "categories of philanthropy" used in a number of the reports. Fourth, we have examined the internal structure and content of the commissioned reports on apparent public need areas. The difficulties of inference are compounded by the tendency in many cases for need areas not to be defined in papers, beyond a simple listing of some mechanisms for satisfaction of the need plus an assumption that the common sense meaning of the need is clearly understood. A related difficulty is the tendency for several Commission papers to confuse needs with need satisfaction mechanisms (that is, health versus hospitals, education versus schools) and to confuse needs with unmet needs.

Our inferred list of implicit public needs as so far seen by the Filer Commission is as follows: health, education, science, religion, culture, environment and conservation, social welfare, public-civic affairs, and international activities. There is mention in a few places of communitywide activities, but these are never clearly defined conceptually nor is there any study paper of the Commission that deals with them at length, let alone exclusively. The category vaguely refers to needs that in our list are termed leisure and participation. However, the lack of detailed and intensive study of communitywide activities, whatever they are, leads us to exclude this category from the "Implicit Filer Commission Public Needs List."

There are at least three useful kinds of comparisons that can now be made between the Implicit List and our Explicit List given earlier: (1) needs included with similar range of meaning, (2) needs included with broader or narrower range of meaning, (3) needs essentially omitted or ignored in the Implicit List.

1. Similar needs included in both lists: There is only one need that is essentially identical in the two lists, namely, health, though even here there are several sub-needs in the health category that receive little attention in study of the health need.

2. Broader/narrower needs included in the implicit list: Many of the needs in the two lists appear to be roughly similar and overlapping, yet the pertinent differences in breadth are very important and illuminating. Such differences amount to subtle omission and downgrading of the importance of certain needs or sub-needs (more detailed component needs relevant to the broader need category). Let us see how.

The Implicit List deals with *education*, but little attention is give to communication. The latter term is included as a sub-need under education in The Council on Foundations' report, and the mass media and libraries are referred to occasionally elsewhere. But the general questions of mass media, publications, information systems, public education, propaganda, secrecy, privacy, and access to information and communication mechanisms/media are not dealt with adequately by the Commission study process. This is true both for the definition of the need, study of the mechanisms for its satisfaction, and evaluation of how well the need is met in general and specifically by private philanthropy.

The Implicit List deals with *science*, but the related aspects of inquiry in the humanities are misplaced in the "culture" category. This confuses the creation or enjoyment of esthetic experiences with scholarship and inquiry in relation to the humanities and arts. The narrow definition of "science" used also tends to ignore the very important role of various kinds of policy analysis and interpretation of social, political, economic, and other issues that are needed in society and often or usually performed outside the usual institutions of "science." Hence, again, narrowness and confusion in public need definition tends to lead to compounded inadequacies of coverage when consideration is given to need satisfaction mechanisms and to how well the need is satisfied.

The Implicit List deals with *religion*, but not the related aspects of philosophy and idealism. Hence, the important roles of secular popular philosophies, ideals, ideologies, and moralities are almost totally ignored. Have the Commission members never heard of *The Greening of America*, *The Making of a Counterculture*, and similar books that express and analyze whole new (and largely secular) philosophies of life that touch or even guide the lives of millions of youth and adults? Why are only the very established, older religious bodies in this country examined at the level of need satisfaction mechanisms? Where is there any attention to newer organizations in this country, such as Hare Krishna, the Black Muslims, "Jesus Movement?" Narrowness of definition of the public need for religion leads to narrowness in consideration of mechanisms and of how well the need is met by various mechanisms.

The Implicit List deals with *culture*, but this is both too narrow and too broad, in different ways. As noted above, the need for inquiry into areas of the humanities and arts belongs in the science-inquiry category, not in culture. More importantly, use of the term "culture" or even the phrase "arts and humanities" is both unjustifiably elitist and inadequately narrow as a public need. The public need is actually much broader, we argue, encompassing what some call "culture" but much more besides in the way of esthetic experiences (our preferred, wider term). Hence, again, definitional inadequacy leads to narrowness of scope of inquiry into satisfaction mechanisms to meet the broader need. For instance, the whole range of folk and popular music or dancing is essentially ignored, as is the relative satisfaction of esthetic needs by such experiences in contrast with ballet and "serious music." If the public need for esthetic experiences is defined as narrowly as the term "culture" usually implies, how can anything even vaguely adequate be done by way of objective inquiry into the role of philanthropy in meeting the public need?

The Implicit List includes the *public or civil affairs* need, but with a very broad catch-all kind of definition. The Mavity-Ylvisaker paper on public affairs is perhaps the best paper the Commission has so far produced in regard to defining clearly any of the public needs it is studying. They define public affairs in terms of four component purposes (but fail to offer a conceptual, connotative definition of the general category): (1) "improving the processes and competence of government," (2) "helping to define and clarify public issues," (3) "helping to ensure the rights and participation in government and society of all members of the public," and (4) "improving the responsiveness of the private sector to public needs." These are all very important purposes or sub-needs. However, they hang together in only the loosest sence. In our terms, purpose 1 is a basic part of both the participation need and the social change need; it serves both, but exhausts neither category. Purpose 2 is a critical aspect of socially relevant science and inquiry. Purpose 3 is an aspect of our justice category, and purpose 4 is part of both social change and justice ("in the public interest").

The major inadequacy of having a catch-all public affairs category of public need (aside from its intrinsic looseness and lack of a conceptual and functional definition – one that would tell us why a certain four component purposes and only these purposes have been included) is that it gives the impression of dealing squarely with the critical social issues, needs, and values of our time without really doing them justice. In doing so, it deflects our (and the Commission's) attention from the more critical and broader underlying public needs for participation, science and inquiry applied to social and public issues, justice in its fullest sense of protection of civil liberties and equal rights, and social change applied to all our institutions insofar as they fail to serve public needs adquately.

In short, the public affairs category of public need (as Mavity-Ylvisaker define it) is far, far better than nothing on the corresponding underlying public needs in the Explicit List, but fails to go far enough to do them justice. Mavity and Ylvisaker are to be commended for tackling these issues at all in the Commission study process, for highlighting the fact that only a few years ago did philanthropy in the embodiment of foundations and major giving even begin to use a public affairs category in their reporting.

Nevertheless, the limitations in definition of the public affairs need category lead to problems in reviewing all relevant satisfaction mechanisms and in determining how well they do their work. These problems of definition markedly affect the ability we have to assess the role of philanthropy in these areas, for instance.

The Carey paper on "Philanthropy and the Powerless" is another important attempt to deal with the public affairs need. There the problem is still that several different public-need elements are being put together into a catch-all "common sense" category that approaches but does not quite face the key underlying needs. The powerless and disadvantaged are in general those people who receive the least satisfaction of any needs and have most of their public needs unmet. It is important to point this out and to describe how some philanthropic groups have tried to deal with different unmet (public) needs of the powerless, as Carey does. But we argue that the underlying public need for justice (especially equity and equal rights and opportunities), economic well-being, participation, peace and social integration (the latter particularly), and social change must be dealt with in their own right. Then one can look carefully and comprehensively at their corresponding need satisfaction mechanisms, and examine how well each need is met for different population segments (especially the powerless and disadvantaged) by the existing mechanisms, including philanthropy broadly defined. In sum, the Carey paper, while extremely helpful in representing the giving of philanthropic money to the "have nots," also does not adquately come to grips with or define the public affairs need or the other, more basic underlying needs it touches on from the Explicit List.

The Implicit List deals with *environment and conservation*, but does not pay adequate attention to the correlative essential aspect of ecological balance. Works like "The Limits To Growth" make it clear that we must completely rethink our approaches to resource and energy use, recycling, and economic growth. Dealing with these issues in theory or practice will necessarily seem very threatening to many Commission members and millions of other people who represent institutions with vested interests in the theory and practice of "unlimited economic growth." But this is no excuse to neglect the ecological balance aspect of the public need in regard to the environment. Like most foundations, the Filer Commission apparently prefers to focus on the safer conservation aspects of the environmental need, while downplaying the ecological balance and (to some extent) the environmental advocacy aspects. As usual, this narrowness of definition has serious biasing effects on the scope of inquiry into need satisfaction mechanisms and how well the need is met, highlighting the role of philanthropy.

The Implicit List deals with *social welfare*, but defines it entirely too vaguely and broadly. Like public affairs, the social welfare category is very much a catch-all for the Commission papers, defined more by listing components than by a conceptual statement of how or why these particular components are or should be included. Hence, there are some basic public needs that are downplayed as mere components of the vague social welfare category when they really deserve independent and primary attention on their own. This is particularly true for the Explicit List public needs that we term economic well-being, justice, leisure and recreation/relaxation, and emotional expression/interpersonal relations – all of which tend to be included in part as mere components of social welfare.

Such an approach is unjustifiable. It obscures the critical underlying needs and their importance in their own right. It is equivalent to a map of the U.S. that demarcates two areas only – your own state and "the rest of the U.S." – instead of mapping all the states. There are the usual implications for inadequate subsequent attention to mechanisms and satisfaction levels in the realm of social welfare. The lack of a clear conceptual definition of the central core of the social welfare need also means that this part will only be incompletely studied.

The Implicit List deals with *international activities*, but with inadequate attention to the fact that there can be and are international aspects of all the other public needs. The Filer Commission paper on international activities (by Yarmolinsky) makes only a very weak attempt in the direction of the necessary broad definition of this category. As a result, the scope of concern for relevant need satisfaction mechanisms is very narrow, and there is little or no attention to how well the range of mechanisms meets the range of component sub-needs. To give a glaring example, there is essentially no attention at all by Yarmolinsky to international activities in regard to peace and social integration (and the corresponding institutional mechanisms of transnational cultural exchange).

3. **Needs neglected or ignored by implicit list:** There are seven major public needs in our Explicit List that are either neglected or ignored entirely by the Filer Commission Implicit List. The most that can be said for the Filer Commission approach in these realms is that fragments of some of them receive some significant attention in the papers on public affairs and on the powerless, and to a lesser extent in some papers dealing with social welfare. This level of attention is quite inadequate, however promising a start.

The Filer Commission Implicit List of public needs does not deal adequately with the vital needs for economic well-being; for justice, security, and freedom; for peace and social integration; for leisure and recreation/relaxation; for emotional expression and interpersonal relations; for participation, involvement, efficacy, and power; and for social change and adaptation.

This neglect has very serious implications for the validity of the whole Filer Commission enterprise. It suggests the possibility of deep-seated and systematic biases on the part of the Commission itself, its advisors and staff. It implies clearly that to the Commission, these needs are *not* public needs of widespread importance. This Commission stance may be a result either of their being out of touch with current realities or of their desire to avoid focusing on potentially "hot" or "touchy" subjects, or both.

Whatever the origins of their earlier neglect, the Commission must now come to grips directly and in-depth with these neglected public needs if its overall conclusions and recommendations are to be credible and valid. Expanded attention must be similarly given to the narrowly defined needs. The results of further work on these neglected needs must be factored in at all levels to the final report, conclusions, and recommendations.

Relation to Filer Commission Final Report and Recommendations

If the foregoing is not enough to suggest bias and the need for filling in numerous gaps, a glance at the final report outline and content supplies additional confirmation. *All focus on public needs/priorities and all focus on the evaluation of how well these are met by philanthropy seem to have vanished.* The focus is almost exclusively on the mechanisms or institutions for need satisfaction, specifically on the philanthropic sector. This approach assumes implicity that current philanthropic activities in general address *all* public needs adquately with proper relative priorities among them so that *all* people are optimally satisfied. It assumes that the only problem is to "oil" the system a bit to make it do more of the same.

Such an approach is clearly inadequate. The final recommendations must deal explicitly and expertly with the full set of public needs, not just the limited Implicit List. Now the report deals with neither list of needs. In dealing with public needs, the final report must clearly define a full and adequate list of public needs, discussing their derivation and importance. It must deal with the relative priorities among and within these broad need categories, paying attention to interdependencies among various needs (or need sub-components), so that optimal satisfaction of the whole set of public needs can be sought.

We would now define "the public interest" in general as "that which facilitates realizing optimal satisfaction of an adequate *set* of interdependent public needs." Thus, working to accomplish any single or small number of public needs to the neglect of other basic public needs is *not* in the public interest (for example, overemphasizing environmental concerns to the neglect of economic well-being — or vice versa). The final report of the Commission pays no attention at all, presently, to this crucial matter of optimizing the realization of a whole set of often conflicting, and nearly always interdependent, public needs.

Thus, by the definition stated above, the present Commission report and its larger enterprise is not really in the public interest until and unless it takes proper account of a broader and more complete list of public needs, their interrelationships, and their relationships to need satisfaction mechanisms and the actual satisfaction of people in general. At present, the focus is only on certain public needs, not in interrelation to each other and not in clear relation to all relevant types of need satisfaction mechanisms nor in relation to how well these needs are satisfied by the various mechanisms, including philanthropy of all kinds.

We hope this situation will be remedied in the public interest prior to issuance of the Commission's final report and prior to the termination of the underlying study process. Failure to do so can be interpreted as biased and self-serving.

PHILANTHROPY AND THE POWERLESS

Sarah C. Carey [†]

"Not enough foundations are close enough to the critical and fundamental issues of our society, not aggressively active enough on them, too distant from the controversies that pervade our public discourse, not political enough, if you will. . . . When youth organized to get out the vote the modest funds they needed were hard to get. Tenants organizing to get decent housing, likewise. Innumerable organizations representing the efforts of the least powerful in our society attempting to enhance their capacity to bargain on less unequal terms in situations that require give and take look in vain to foundations for significant help." (Remarks of David R. Hunter, April 22, 1975, 26th Annual Conference, Council on Foundations)

"It is our belief that the primary value of foundations is to help keep alive and vibrant society's supply of initiatives for desirable social change. When foundations do not do this, they do not do their job, and they lose thereby their social utility. They exist to experiment, to innovate, to critique, to aid the powerless, and thus necessarily to involve themselves in social tension." (Field Foundation Report, 1968-1969)

"Foundation money is public money, temporarily at the discretion of semi-public trustees or directors. It can be seen as a small means of redressing the woeful maldistribution of U.S. wealth (especially when foundation money is supplemented by personal funds)." (DJB Report, 1975)

"There is value in a foundation that responds to the felt needs of communities, investing in other people's sense of priorities and ideas rather than something we might invent and initiate ourselves." (Wieboldt Foundation Report, 1973)

"In 1970, after 25 years of support for the humanities, the Foundation, in the words of an advisor to the Foundation, dedicated its resources to 'loosening the grip the inhumanities have held us in.' " (John Hay Whitney Foundation Report, 1973)

"Haymarket's primary goal has begun to be realized — to get badly needed money to grass roots groups working for broad-based social change, particularly to those groups that either because of low visibility or activist politics would never hope to receive funding from individuals or any other kind of foundation. On the one hand, it is certain that, if Haymarket did not exist, the groups and projects would survive. Their work would go on. The movement for social change won't stop because wealthy people do not support it. But we can't be too cynical about our money. It can help tremendously. It can make a difference." (Haymarket Foundation Report, 1974)

Introduction

This paper was commissioned by the Filer Commission to examine the role of philanthropy in regard to "the powerless." The term powerless was not defined by the Commission but was suggestive of minority groups, the poor, and others who are considered the "outs" in American society. That definition was subsequently refined to include the following:

> Racial and cultural minorities (at certain times and under certain circumstances); individuals who are institutionalized, are wards of the state (including children

---

[†] Cladouhas and Brashares, Washington, D.C.

in certain instances and the mentally ill); individuals who have been or are being abused by the state, such as prisoners and victims of official repression; the economically disadvantaged (including the hungry, welfare recipients, "the poor," migrant laborers); and individuals who should have access to political participation but whose participation is denied by the corruption or rigidity of the institutions they are trying to affect.

A more simple definition might be those who are trying to change the status quo in favor of the disadvantaged.

The information that formed the basis for the paper was gathered through the distribution of questionnaires to and the collection of reports from a select group of foundations (those that consider themselves "activist" as well as a number of the larger foundations); the distribution of a similar questionnaire to a select group of grantees, each of which works with one or more of the groups encompassed in the definition of powerless; interviews with a large number of additional people familiar with churches, the corporate world,[1] foundations, the United Way organization, social action groups, individual donors, and the world of philanthropy generally.

Despite extensive efforts to uncover hard data, there is virtually no way of measuring with any accuracy the volume or the quality of philanthropic giving to the powerless. Methods of reporting and characterizations of grants vary among and within the various donor groups; some provide detailed reports while others use a broad brush in stating their goals and the grants made to achieve them. Consequently, the conclusions stated in this paper are highly impressionistic and cannot be broken down into statistical or even roughly quantifiable analyses. The overwhelming impression, however, is that those who comprise the powerless segment of society receive only what one grantee describes as "the breadcrumbs from the table of philanthropy."

The Peterson Commission in 1970 made a random sampling of foundation (including corporate foundation) grants to a number of categories considered controversial or falling within the definition of powerless. Typical results were as follows:

Purpose	Percent of Total Foundation Grants
Voter registration and voter education	0.1%
Studies of subjects directly related to public policy issues and for dissemination of such studies to the general public by publication or discussion	0.3
Community or neighborhood organizing of an ethnic, ghetto, or impoverished group	1.5
Urban youth groups (including gangs)	1.3
Student organizations	0.8

Approaching the problem from a different angle, that is from the broad subject matter rather than the type of activity supported, a New York foundation executive recently reported that of 18,700 grants with a value of $1.6 billion made by foundations in 1972 and 1973, only .7 percent of the total (87 grants totaling $11.6 million) went to questions of political and government reform, and even less, .3 percent of the total (34 grants totaling $5.3 million), went to projects dealing with economics.

Regardless of how the pie is sliced, there is no question that grants made directly for social change or to assist the powerless are dwarfed by the massive philanthropic contributions made annually in support of education, the arts, health services, and the like. And within the philanthropic community, there is only a handful of foundations and church groups – and even fewer corporate donors – that entertain grants from the powerless or that devote all or a substantial portion of their grant funds to the groups that fall within the definition.[2] With major exceptions, such as The Ford Foundation, the Carnegie Corporation, and a few others, those donors that do support the powerless are generally small in terms of staff and assets, maintain a low profile, and are virtually unknown to the broad public, the Congress, and the more articulate critics of philanthropy. (See Appendix for a list of the more "activist" foundations.)

This paper does not attempt to explore the motivations of philanthropoids to determine why they do not address the needs of the powerless in any significant way. The Commission has dealt with these questions through a number of other channels. Some of the reasons that have been suggested are the "establishment" nature of the self-appointed membership of most foundation boards, relying heavily on business leaders, lawyers, financiers, and other professionals and excluding representatives of powerless groups; the makeup of foundation staff which, quite naturally, reflects the image of the board members; the "high liberal style" in which some foundation personnel carry out their duties with its elitist, anti-democratic overtones; and the restraints of the Tax Reform Act of 1969 on political activism by grantees. A more fundamental rationale may be that articulated in a newsletter of the Haymarket Foundation:

> Time and again history has shown that the agents of change are ultimately those people in whose interest is the change . . . (But) the people in power have never given power away. Women were not given the vote, they won it for themselves. Lincoln did not free the slaves, the slaves ran away and freed themselves. Revolutions have not been acts of the ruling classes but struggles of the poor and oppressed against those who hold power.

This may be stretching it a bit. Many of the grantees in the powerless group who have been turned down by philanthropic donors because of their unorthodoxy are simply people seeking to enforce their rights who are by no means radical or revolutionaries.

The basic fact then is that philanthropy generally is not interested in supporting social activism or the interests of the powerless except, to a limited extent, through established institutions. Against that larger fact, this paper examines a number of examples or case histories where the very small level of funding that has been addressed to these areas has had a substantial impact. In many ways, it is a detailed examination of the needle in the haystack.

Before looking at the grants and case histories themselves, it is useful first to consider some of the innovative practices and characteristics of donors that have recently emerged that promise to make them more responsive to the poor. If these trends continue, it is likely that grants to the powerless over the next few years will increase rather than decrease.

New Trends in Giving to the Powerless

The general litany of complaints against philanthropic givers (particularly foundations) by would-be grantees among the powerless includes the following, at a minimum: they have become permanent bureaucracies with high overhead whose well-paid staffs attempt to impose their ideas of what the problems are and how they should be solved on the grantee; their approach is intellectual and overly academic, lacking in understanding of how real change is made; they have the intellectual's discomfort with the complicated machinery of democracy and particularly with the legislative and political processes[3] (as one grantee put it, they have about as much faith in democracy as Richard Nixon had); they are faddist and won't stick with the tough ongoing issues that plague the society; they measure progress and success by newspaper stories, sometimes creating issues through grantees that manipulate the press and believing them solved simply because they have become the subject of public debate; they spend all their time talking to each other and are unwilling to or incapable of reaching out to varied groups in the society, thereby denying access to their benefits to activists, community groups, and others (one grantee said that there is an old-boy network of donors and donees; if you get in with one member of the foundation club, you suddenly have access to all 17 of those who entertain grants from the powerless); they are not open and forthright in informing the public about their programs, eligibility for grants, and expected performance levels; they are unwilling to stick with grantees or would-be grantees to provide them technical assistance in developing their programs, the same way they would for a university or medical institution; they impose structural requirements on grantees such as a 501 (c) (3) organization or a big-name board of directors that must include a Republican one year and a union leader the next; and finally, philanthropic donors refuse to give funds to groups that lobby or engage in political activity.

The broadsides included in the litany of complaints apply to some donors at some times. As this paper reflects, foundations, corporations, churches, and other donors are highly varied and it is a great mistake to treat any one category as monolithic. Further, many giving institutions are in the process of change; criticisms that might have been valid a few years ago have become less so. And new giving entities have appeared on the scene that have deliberately attempted to overcome the deficiencies complained of in the past. The following are some examples:

- A number of small foundations have decided to spend capital, to the extent of shortening their existence. As the DJB final report put it: "We decided to spend capital as well as income to use up all the money within ten years. But the problems and needs of our constituency caused us to speed up the schedule, and DJB ceased operations at the end of 1974." The Laras Fund in California also went out of business (in 1975) for the same reasons, and other experimental foundations are committed to a limited life span.

- A broad range of foundations has become at least verbally committed to the proposition that the poor, minorities, and others must be given the assistance needed to organize themselves but then must be free to run their own programs addressed to goals they have defined. This is particularly true of church donors and of the small foundations such as Wieboldt (see quote, p. 1109), the Cummins Engine Corporation, the Field Foundation, the Rosenberg Foundation, and others. The large foundations, such as Ford, Carnegie, RBF, and Kellogg, have come a long way in this respect in recent years, but partially because of the size of their grants and the management burden they impose, these foundations tend to favor grants to attorneys and other middlemen over direct grants to powerless groups.

- The academic bent of some donors (the foundations in particular) has reflected itself in vast expenditures to new entities (generally created in the foundation's own image, replete with big boards, high overhead, and well-paid program officers) designed to deal with broad, rather ill-defined problems: the urban crisis; the crime problem or the criminal justice system; drug abuse in all of its manifestations; the problems of Black leadership, to list a few. These organizations have produced few if any concrete results and less actual change. On a straight cost-effective basis, the programs that have produced results appear to be those that have supported a leader, a movement – an organization with a real constituency willing to push for the enforcement of rights or the betterment of living conditions. Again, the churches and smaller foundations give freely to the activist groups; the corporations and larger foundations generally do not.

- The problem of faddism remains, but juxtaposed against its manifestations are the performance of a growing number of foundations that have chosen to stand by an issue or a place. Community foundations have a strong track record of sticking with the sometimes intractable problems of their cities; foundations like Phelps-Stokes or Akbar have chosen to give primarily to groups such as Indians and Chicanos, long neglected by other givers; the Field Foundation considers its greatest contribution its decade-long assistance to programs in the state of Mississippi; and the Rockefeller foundations have stubbornly supported rural programs when everyone else was worrying about the cities.

- The limitations on access to donors are being eroded, too. A generation of new foundations, many based on the funds of rich young people, are deliberately limiting their grants to the powerless, to "third world" groups, or to those who are considered too controversial by most grantors. DJB took this position several years ago. New foundations with similar goals include the Third World Fund, the Peoples' Fund, Haymarket, and the Vanguard Fund.[4] Such foundations, as well as funds like the Twenty-First Century Fund that is Black-run and gives only to Black-run projects, are currently very small; eventually, they may grow and represent a whole area of foundation specialty similar to the health, education, or science focus of the old-line foundations. Structurally, these foundations offer an opportunity to those who want to channel their funds to social change to do so through an organization that serves as their broker. Another kind of broker that has expanded the outreach of foundations and the access of powerless grant-seekers is The Youth Project (see p. 1151). Through a small staff of community organizers and young people, the Project helps large foundations and other donors identify community-based reform efforts around the country. Finally, some foundations are improving their outreach through "fellowship" programs, such as those run by the John Hay Whitney Foundation and the Southern Education Foundation, Inc. The alumni of these programs stay in touch with the foundation servicing as its "eyes and ears" in the grantee community.

- All donors issue some kind of report listing the level of their giving and reporting on assets and expenditures. Some publish mandates, by-laws, and statements of purpose. As a general rule of thumb, it is possible to discern from these reports the amount of each grant and the general subject matter to which it was directed. It is, however, impossible to gain any sense of what was actually accomplished or to cumulate data. Recently, some foundations have gone further, assessing the accomplishments (of grantees) and identifying the individuals who achieved them. Particularly noteworthy in this regard are the reports of the John Hay Whitney Foundation and those of the Field Foundation. The former are highly specific in terms of what was achieved; the latter take a more historical approach, tracing the movements and campaigns to which the foundation contributed and often juxtaposing them against larger national developments. These are isolated efforts. What is needed is some kind of uniformity of reporting combined with elements of introspection and self-assessment.

- In the beginning years of assistance to the powerless, in addition to the problems that arose in obtaining an initial grant, many community and social organizations complained that they were left on their own after the grant was made and there was no ongoing support from the foundation. This situation has changed. The Ford Foundation, for example, provides planning and technical support to its community development corporations, to Chicano and Alaskan native groups, and to many of its other grantees that fall within the definition of powerless. In some cases, the foundation creates a special umbrella organization that becomes the source of assistance; in others it funds experts directly to assist local grantees. The level of aid may not yet reach the management, planning, and other assistance that the foundation provides to its grantees in the field of education, for example, but it is nonetheless substantial. Corporate givers have recently initiated executive loan plans whereby middle- and upper-level management executives are loaned to community development programs, to fund-raising drives for Black colleges, and to other groups among the powerless that could benefit from their fiscal and management expertise. In 1970 the John Hay Whitney Foundation made an express commitment to stand by its grantees even after the formal period of the project ends. As the Whitney board put it: "Once the Foundation chooses the people, the problems, and the projects, it takes on a greater responsibility – to help the project participants to succeed in achieving the specific improvements they seek." The Youth Project, similarly, makes an ongoing commitment to assist those who have been its grantees. Other foundations – formally or informally – are taking similar positions, and some are considering the appropriateness of the foundation speaking out and taking stands on the issues to which the work of its grantees is directed.

- Most donors continue to impose structural requirements on grantees, insisting on tax-exempt status and on a prestigous board of directors. Convincing the big foundations that a prestigous lawyer or businessman adds little to the effectiveness of a social change organization (other than to impress the grantor itself) is a problem that has not yet been solved. A number of foundations and church groups, however, are willing to exercise fiscal accountability on behalf of grantees and to support groups whose policy-making boards are composed of their own peers and not "safe" or "distinguished" individuals. If more donors become willing to accept such responsibility – or to rely on intermediaries such as The Youth Project that are able to do so – the likelihood of community groups surviving through the difficult start-up phase will be greatly increased.

- Lobbying and representing special interests is the bread and butter of policy making in this country. Basic social change can only occur in that context. However, the terms of the Tax Reform Act of 1969 have prevented most philanthropic donors from supporting this type of activity even when it is on behalf of the powerless. A few donors make such grants surreptitiously. Most bend over backwards, overreaching to "abide" by the spirit and the letter of the law and invoking the law as an excuse for inaction. There is a uniform sentiment among grantees that this law must be reexamined so that only situations that pose real dangers are barred (such as The Ford Foundation or other giant donor supporting a political campaign or issuing grants to an organization without a valid constituency to lobby vigorously and without disclosure for a small group of individuals). The only promising development in this regard is the tendency of a number of organizations to seek funding through membership drives which enable them to use their money as they see fit (see p. 1119 on the Movement for Economic Justice).[5]

Philanthropic Assistance to the Powerless: What Tactics Work

This paper shows, in somewhat impressionistic fashion, that donors – whether corporations, foundations, or churches – have over the past decade attempted to revise their giving programs to meet the needs of the disadvantaged and the powerless. In some instances, this has taken the form of a pledge to support a society that protects the basic rights of individuals of all racial groups; in others, it has resulted in reexamination of the donor's program mandate (for example in education) from the perspective of its impact, direct or indirect, on the disadvantaged; in still others, it has resulted in a complete reorientation of the donor or the creation of a new entity affiliated with it to focus exclusively on the needs of the powerless.

Many of the experiments and approaches launched by the philanthropic community have been wasteful and have produced few if any results. But initial programs such as funding youth gangs, supporting sensitivity training (touchy-feely sessions) for corporate executives and ghetto leaders, and setting up mini-city halls without reorganizing local governmental functions have given way to more serious questioning and experimentation. The results of this more serious effort are not yet in. Unlike grants to support a symphony, to fund scientific research, to make analyses of social and economic behavior, there are few models and few proven or accepted answers in the field of social justice and change. And the basic reality remains that in the final analysis it is the elected representatives of the people who must shape the parameters of "the fair society" and the executive and the judiciary who must carry it out – with, of course, the cooperation and commitment of the private sector.

The primary requisite for success in programs for the powerless (as in any other area) has been the presence of leadership, commitment, and talent among the powerless themselves. (In some cases, such as children, the mentally retarded, and others for whom the state acts as guardian, their spokesmen have had these traits.) The tactics that have brought success have varied but all have involved public education and public acceptance. In many instances, presenting a fully documented case has been the key factor. The Southern Regional Council and its Voter Education Project did this for the Congress in gaining federal assistance to protect and enlarge the franchise for Blacks. Smaller projects, such as those funded by church groups in Alabama and The Youth Project in Mississippi, have researched the facts and presented the data needed to compel local governments to provide public services in minority communities that are equal to those provided in white communities. The many projects that now exist to "monitor" governmental agencies to make certain that they comply with their legislative mandates accomplish the same thing, whether in regard to food programs, education programs, law enforcement assistance, or revenue-sharing grants. The reports issued by the monitors insure adherence to the law and in some instances have led the legislature to correct deficiencies in the law.

In other instances, resort to legal actions in the courts has been the key to success. Generally, however, court actions in a vacuum – without public education and without an active constituency to pursue the victory – have been hollow. Examples where court action was both necessary and successful include the voter reapportionment cases and the cases removing unconstitutional barriers to the right to vote; cases enforcing the rights of previously neglected minorities such as the litigation defining the rights of Indian tribes; and cases challenging abuses in the criminal justice system (for example, all white juries) or in the state systems for caring for the mentally retarded.

Sometimes, the provision of expertise or technical assistance has made the difference. Education and enrollment assistance to poor people have greatly expanded participation in the federal welfare and food programs. Corporate and foundation assistance to community groups have created a variety of new minority-run business enterprises. Technical assistance to Alaskan Indians, Eskimos, and Aleuts is helping them to reorganize their local governments to maximize the community development potential created by the Alaskan Natives Claim Act. (And aid to the Chicanos in Crystal City, Texas, is helping them to translate victory at the polls into improvements in the performance of city agencies.)

In a few instances, the creation of an experimental model has led the way to government assumption of the program concept or to replication of the model in other locales. The classic example in this regard is The Ford Foundation's "grey areas project" that paved the way for the OEO community action agencies and community development corporations. (Unfortunately, this victory has been somewhat dimmed by the Congress' subsequent abandonment of key elements of the poverty program.) Other examples include the corporate and foundation-supported alternative schools and "accountability" programs that have been adopted by a number of school systems around the country.

Examples of many of these tactics and programs are described below. The first two chapters deal with assistance to the poor and aid to minority and ethnic groups. The latter focuses on grants to Mexican-Americans and Indians, rather than looking at the Black experience or at other ethnic groups. This was done because the level of giving to these two groups has been smaller than to Blacks and is telescoped over a shorter period of time. In both chapters, case histories are selected to illustrate the kinds of programs that have been effective; there is no effort to deal comprehensively with the full range of programs funded in each category. The third chapter examines some of the philanthropic grants to enlarge political participation and to facilitate reform of governmental institutions, with special attention to the voting rights and school finance reform efforts. The fourth chapter discusses grant programs directed at rigid institutions that have lost the capacity to assist or respond to their constituents or intended beneficiaries. The fifth chapter takes a special look at church and corporate giving, two categories of philanthropy that have undergone major changes in recent years in regard to the powerless. The sixth chapter describes The Youth

Project as a new structure for giving to the powerless, and the last chapter makes a number of recommendations.

I

CHANGING THE ECONOMIC PLIGHT OF THE POOR

Philanthropic assistance to alleviate poverty has included grants that support academic studies or analyses of the economy and the needs of the poor;[6] grants to assist traditional service organizations to improve their performance (institutional reform); start-up grants to community-based service organizations to provide health care, counseling, educational, and other services to the poor; grants that help the poor develop their own economic institutions, whether cooperatives or community development corporations or other commercial entities; grants that support the poor in obtaining their "due" under federal and state aid programs through legal and other advocacy tactics, including the "monitoring" of public programs or the issuance of investigative reports; and grants for community organizing to enable the poor to organize themselves for their own purposes.[7]

The focus of philanthropic poverty programs has for the most part been on public agencies rather than on private industry. As indicated in other sections of this paper, there have been few philanthropically supported programs that have promoted long-range social planning, that have projected fundamental alterations in the economy,[8] or that have studied ways to redistribute the nation's wealth. And programs aimed directly at corporate responsibility that have had as their goal a greater assumption by the business sector of social or traditionally public responsibilities received only limited short-term philanthropic support and have been largely abandoned.

The results of philanthropic poverty programs are difficult to measure. They have unquestionably helped to focus public attention – newspaper features and headlines, congressional debate and investigation, much-heralded court decisions – on a number of key issues involving the poor. But it is difficult to determine whether there has been a net improvement in the position of poor people overall or whether the improvements that have occurred have kept pace with the downward turn in the economy.

At the least, it can be said that the broad range of grants to local health clinics, to community service centers, to alternative schools, to pre-trial release programs, and to other service projects have temporarily humanized, decentralized, or otherwise improved much-needed community services. Even where such projects have been temporary they have often made a longer-term contribution by identifying and training community leaders who have subsequently moved on to political positions in state and local legislatures or executive agencies. A few projects have produced changes in "establishment" institutions, that is, have stimulated the health care system, the public school system or other systems to absorb the project in its entirety (for example, alternative schools) or to absorb its basic concept (pre-trial release or diversion projects in the criminal justice system, for example). Many projects have had no enduring result. They can be viewed either as a short-term "aid to survival" or as a diversion from more fruitful lobbying designed to get the nation's public and private leadership to assume their proper responsibilities.

The following section examines two philanthropically funded advocacy programs on behalf of the poor that have produced measurable results on the national level: the National Welfare Rights Organization and the efforts of several organizations to combat hunger in America.[9] The subsequent section deals with some of the economic development programs or local business ventures that have been launched with philanthropic aid, particularly in the Southern states.

The welfare and hunger advocacy programs have produced some remarkable gains; however, it must be kept in mind that they have operated in a rather bleak context:

The nation has not yet been willing to commit itself to guaranteeing a decent standard of living for all citizens;[10] absent such a commitment, the only alternative has been to tinker with the kinds of support that are provided to make them fairer or more effective and to prevent them from being denied to those who are entitled to them.

Advocacy for the Poor

The Welfare Rights Movement

In 1960 the federal program for aid to families with dependent children was 24 years old and had reached a $961.7 million level annually. The legal framework for the system involved annual federal grants to 50 state agencies, each of which had been created along the same model to meet federal statutory requirements and to enable the states to participate in the national program. This meant that the system was regulated by both state and federal statutes with accompanying regulations and depended on funding from both levels of government. Both levels of bureaucracy had become fairly rigid and often statutory mandates were ignored; in other cases administrative interpretations of those mandates had resulted in arbitrary and unfair treatment. In some respects, the laws themselves were outdated. Whatever the cause, the system in many ways treated its intended beneficiaries in an arbitrary fashion, barely meeting their material needs and largely ignoring their human needs. Many individuals entitled to welfare were not receiving benefits.

The federal poverty program of the mid-1960s gave poor people – including welfare recipients – the wherewithal to organize and the psychological support to stand up for their rights. At the same time that community action agencies were organizing, VISTA volunteers were being dispatched to serve as aids to these agencies, and legal services offices were being opened to enable the poor to pursue their legal rights, a national membership organization of welfare recipients was being formed. Over the next five to eight years this national organization served as the conceptualizer and dramatist – as well as the spokesman – for the aspirations of local welfare groups across the country.

The National Welfare Rights Organization (NWRO)[11] was established in 1967 under the leadership of a chemist, Dr. George Wiley, joined by a number of welfare recipients (primarily AFDC recipients). The organization had at its peak a national membership of approximately 200,000, with many other welfare recipients organized at the local level only. NWRO ran a host of programs to assist welfare recipients that included self-help day care and pre-school programs, consumer credit programs (to get major retailers to make limited credit available to welfare recipients), programs to improve health benefits, and others.[12] But overall its major contribution was to help persons eligible for welfare receive their intended benefits and to create lines of communication between beneficiaries and both HEW and the Congress.

NWRO presented new, otherwise unavailable, evidence to the Congress, HEW, and the nation on the plight of families forced by poverty to live on welfare; helped to dignify welfare recipients, enabling them to see themselves as individuals exercising their rights rather than as the objects of charity; made the rules and procedures of the welfare distribution system fairer and more equitable; and finally, through educational and counseling programs substantially increased the number of poor individuals on the welfare roles. During the six-year period 1966-1972 when NWRO was most active, welfare enrollments in the AFDC category more than doubled, going from 4.4 million to 10.6 million.

In many ways the impact of NWRO on independent local organizations can be analogized to the influence of Ralph Nader's writings and speeches on the corporate responsibility movement. Nader has had the ability to dramatize or make vivid certain basic principles concerning the role of private business corporations in the society as a whole that have led to a host of locally initiated reform efforts and corporate programs. Similarly, Wiley's NWRO set the signals and goals for local poverty groups working with welfare recipients.

NWRO's tactics were not the accepted liberal tactics of persuasion, written advocacy, and reasoned exhortation. The organization demonstrated, was obstreperous, and even "occupied" offices. One of the more famous examples of the latter technique was the takeover of HEW Secretary Robert Finch's office in 1969. Subsequently, Finch established an advisory committee of welfare recipients and their advocates that met regularly with the head of HEW's Social Security program to deal with problems experienced by welfare beneficiaries. For the first time, welfare recipients were given a voice in shaping the public program that most directly affected their lives in a manner that approximated the role traditionally played by defense contractors in DOD planning and policy making.[13] Some of NWRO's local campaigns frequently resulted in the blocking of state funding cutbacks or of legislation that threatened additional interference in the lives of welfare recipients.

Because of the unorthodoxy of its methods and its insistence on retaining its status as an organizing *and* lobbying group, NWRO initially had difficulty obtaining foundation assistance. In the mid-1960s it created a tax-exempt foundation, known as Misseduc, with the stated purpose of conducting research and studies related to the welfare system. Misseduc became a conduit for foundation funds to support the organization as a whole. NWRO was also able to rely upon the National Urban Coalition (for Rockefeller Brothers Fund grants) and the National Council of Churches as conduits for grants.

The major supporters of NWRO and the Misseduc Foundation were church groups, including The Campaign for Human Development, the United Church of Christ, the Methodists, and the Lutheran Church (see p. 1141 for a discussion of church grant making), and a number of the more "activist" foundations. These included Field, New World, DJB, Stern, Joint Foundation Support, the Norman Foundation, the Ottinger Foundation, and the Playboy Foundation.[14] During its most active period, NWRO was able to maintain a national budget of approximately $200,000 per year and at the same time to raise funds for local welfare rights organizations, many of which received grants under the umbrella of the Misseduc tax exemption.

At its peak, NWRO achieved respect and recognition at the national level from those at HEW and in the Congress most directly responsible for the welfare program. The evidence it insisted on placing before an unwilling audience demonstrated the hard plight of those in America forced to live below the poverty level. It presented their views on the terms and conditions that accompany welfare payments. And it confronted the myth that those who cannot make it economically in this society are profligate, lazy, and in need of discipline. At the local level, it educated the poor about their rights and helped them organize to effectuate those rights. Local affiliates frequently had the same impact on state officials that NWRO had nationally.

The accomplishments achieved by NWRO in the late 1960s were largely the result of organizing skills and effective leadership. They were, however, greatly aided by a series of legal decisions that defined the constitutional and statutory rights of the beneficiaries of the welfare system. In fact, the welfare cases established precedents for the enforcement of rights and entitlements on the part of beneficiaries of a whole range of federal grant-in-aid programs that included food stamps, unemployment compensation, the right to manpower services, and the right to participate in and benefit from federal education aid to the disadvantaged (under Title I of the Elementary and Secondary Education Act of 1965). Among the key welfare cases were *Goldberg* v. *Kelly*, 397 U.S. 254(1970), and *Shapiro* v. *Thompson*, 394 U.S. 618 (1969). In the latter, the Supreme Court struck down welfare residency requirements, and in the former, the Court, in dicta, considered the establishment of a right to minimal subsistence as a basic entitlement, akin to a property right and deserving of special protection. This line of reasoning was subsequently rejected and welfare assistance was denied status as a fundamental interest; consequently, the states were given leeway to alter welfare legislation on a "reasonable basis" (see *Dandridge* v. *Williams*, 397 U.S. 417 (1970), upholding the right of the State of Maryland to impose an absolute ceiling on welfare assistance, regardless of family size or need).[15] Unlike the voting rights area, most of the welfare cases were brought by legal service offices or the Columbia welfare law back-up center.[16]

Unfortunately, when NWRO reached its full capacity as a national spokesman on welfare programs, the nation's political leadership was set on abandoning its programs for the poor. Instead of being able to influence affirmatively new developments that might have led to a more rational welfare system, NWRO's task became to prevent a route by fighting HEW and state welfare agencies on a point-by-point basis. This it did successfully but with much less significant results than a new legislative breakthrough would have represented. The battle was stayed, but the national mood had changed. The economy had worsened and there was little tolerance for helping the poor. Further, the nation was tired of the kind of confrontation tactics upon which NWRO relied. In the early 1970s NWRO, which was losing its effectiveness as a national organization, also lost its leader with the untimely death of George Wiley.

Despite its demise, NWRO's achievements should not be under-estimated. And in many ways, the NWRO experience suggests that where advocacy tactics are employed to achieve a narrow well-defined goal, a short-term organization may be the soundest approach. NWRO accomplished its primary purpose: a dramatic increase in welfare enrollments on the part of the needy and the definition of new rights of welfare recipients.[17] In addition, NWRO's example was in part responsible for refocusing the civil rights movement and inspiring the formation of other movements directed to alleviating the economic plight of the poor – whatever their race.

The movement for economic justice. Before his death in 1973, NWRO founder George Wiley was moving on from organizing the poor around a single issue to building a broader coalition of lower income people to combat the gross economic inequities and disparities that abound in this country.[18] The Movement for Economic Justice (MEJ), as Wiley's new organization was called, has continued to develop since his death. Unlike most Washington-originated programs, MEJ maintains a skeletal national staff whose primary responsibilities are clearinghouse, information-sharing, and technical assistance to local groups. The main focus of the organization is on strengthening local community leaders who are organizing around economic issues.

In its first year of active operation, MEJ, through its Tax Justice Project, developed a national tax-reform platform aimed at the House Ways and Means Committee and operated local tax clinics around the country to assist low- and moderate-income taxpayers in avoiding unnecessary payments and to educate them on the inequities of the current tax laws. In addition, MEJ established a revenue-sharing handbook and program to help local groups pressure for a fair share of their federal grant funds. A consumer project was also begun that helped local groups pressing for fairer merchandising practices and prices, especially on the part of supermarkets. More important than the national programs, however, was the assistance MEJ staff gave to local groups pressing corporations and local governments on economic issues. These groups achieved victories in reducing or preventing increases in utility rates, public transportation charges, insurance rates, and other economic burdens normally imposed without a voice from those who are hit hardest.

It is too early to tell whether MEJ will endure or whether it will actually make a dent in the maldistribution of wealth that characterizes American society. Apart from the newness of its approach, however, MEJ should be watched for its fundraising tactics. MEJ is establishing a national loan fund for local groups "to cover the start-up costs of establishing their own self-funding programs." Start-up costs might include items such as expanded office space, additional phone lines, special mailings, additional salaries, and consulting services. Loans must be repaid within one year. Thereafter, membership will carry the costs. MEJ strongly advocates self-sufficiency and the involvement of membership through funding contributions. Having a stake in the program results in increased commitment and involvement and besides, reason MEJ leaders, their goals are not in conformance with the goals of private philanthropy. MEJ staffers state that members are willing to pay when the issues are real to them. They state that MEJ projects in Boston are raising $1,100 a night in door-to-door solicitation and that in Chicago the figures are slightly higher. In any event, the MEJ model is one that other activist groups are watching closely as an opportunity to reduce dependence on foundation funding.

MEJ is just one example, a loosely related group of local organizations dealing with economic issues. Many of the groups funded by The Youth Project, the new experimental foundations, and the churches are organizations working to improve the economic and social status of their constituents either on a single issue or on a multi-issue basis. And the economic development and cooperative ventures discussed later in this chapter are pursuing the same goal, although from a different vantage point.

Hunger and Malnutrition

Another area where philanthropic contributions have produced measurable results for the poor and disadvantaged has been the campaign waged since 1967 to compel the federal government to provide adequate food programs to the poor – to families, to children in schools, and to the elderly. As in the area of voter rights, the federal food distribution program is one where statistical measurements provide hard data as to the results achieved. The basic story is conveyed by comparing federal outlays for food in 1967 when the organizing and pressure efforts began with those made in 1975. In the first year, the total outlays were $650 million; in 1975 they will reach $8 billion, a more than tenfold increase.

In spring 1967, a United Auto Workers' funded project, the Citizens Crusade Against Poverty, received extra funds from the Field Foundation to initiate a special project directed to the reduction of hunger in the nation. A number of medical doctors, including Harvard psychiatrist Robert Coles and Raymond Wheeler, a medical practitioner from North Carolina, went to Mississippi and returned with a report on the deplorable condition of families, and especially children, who received inadequate food and diet. This was followed by the funding of a special private investigatory group, the Citizens' Board of Inquiry Into Hunger and Malnutrition in the United States.[19] The board held hearings in select communities across the nation including Hazard, Kentucky, San Antonio, Texas, Columbia, South Carolina, and Birmingham, Alabama; made field trips to a number of other locations, including major cities; and conducted research on the problem and the federal programs addressed to it on a national scale.

The board's final report was issued in April 1968. Its results were shocking. It demonstrated that

> Hunger and malnutrition exist in this country, affecting millions of our fellow Americans and increasing in severity and extent from year to year;
>
> Hunger and malnutrition take their toll in this country in the form of infant deaths, organic brain damage, retarded growth and learning rates, increased vulnerability to disease, withdrawal, apathy, alienation, frustration and violence.

The report also demonstrated that the federal government not only was not adequately informed about the problem but was not utilizing those programs and authority that were available to it to assist Americans most in need.

The report launched a significant public education effort that was eventually to include extensive television coverage (including the award-winning CBS documentary, "Hunger in America"), congressional hearings, and community organizing. In October 1968, the Citizens' Crusade Against Poverty convened a conference on hunger that included many of the participants from the Citizens' Board. The conference led to the establishment of the National Council on Hunger and Malnutrition that was funded by a number of activist foundations led by Field and the Irwin-Sweeny-Miller Foundation (the latter two provided 60-70 percent of the council's funding).[20] In the next few years, the council engaged in a variety of advocacy tactics that included marshalling facts to present to the Congress to encourage improvements in the administration and level of support for food programs; pressuring the Agriculture Department to issue fair and proper regulations for the administration of food programs and to actually distribute all of the food benefits that the Congress authorized it to; and assisting community and citizen groups around the country whose constituents were eligible for but were not being provided food assistance.

From 1968 to 1971, food stamp coverage alone increased from less than 3 million to 14 million persons; funding for the program increased 10 times. School lunch and breakfast programs during the same period grew to reach six times as many children as they had in 1968. Substantial numbers of the eligible population were still not reached, but major gains had been made. Similarly, severe hardships persisted that were never properly corrected, for example the food stamp program was never made available without cost to those with no income. But these deficiencies did not diminish the gains.[21]

The National Council was not the only group working to combat hunger. Equally effective work was done by the Children's Foundation, a privately funded group in Washington that focused on getting aid to prevent childhood hunger and malnutrition to the communities that most needed it. It constructed, and still maintains, effective grass-roots contacts across the nation. In addition, lawyers with the Columbia Welfare Law Center – now established as a foundation-supported office known as the Food Research and Action Center, Inc. (FRAC)[22] – began a litigation program to compel the Agriculture Department and local governmental units participating in food programs to adhere to statutory and constitutional requirements.

FRAC's suits have in effect held the feet of the bureaucrats to the fire. FRAC has issued investigative reports on almost every aspect of the food program that have often had a direct influence on congressional and Agriculture Department initiatives. Its nationwide education programs have made people aware of food benefits, such as the Special Food Service Program for Children, that they would not otherwise have known existed. Its litigation has compelled local governments that would not have acted on their own initiative to participate in the Food Stamp Program and has removed improper regulatory and statutory barriers to eligibility for food assistance. And the detailed work and expertise of FRAC attorneys has provided both the factual data and legislative models for use by lobbying and public education groups such as the National Council.

The National Council continues to operate, but on a reduced funding basis. In 1972 it issued a follow-up report entitled "Hunger U.S.A. Revisited" that was supported largely by the Field Foundation through the Southern Regional Council. That report pointed out that the problems of hunger and malnutrition remain substantial and Americans across the nation are still forced to live on inadequate diets.

Although the volume of food assistance distributed by the government has greatly increased in the past eight years,[23] the council, FRAC, and other advocacy groups continue to pursue their mission. They seek to prevent a rollback in federal expenditures and to "watchdog" the Agriculture Department to insure improved quality in the food distributed by the DOA, to simplify the procedural and other requirements for participation in the food program, and to make certain that the programs actually reach the intended beneficiaries.

Philanthropically supported activity in the area of food and nutrition has clearly produced results. The problem of hunger is a shocking and fundamental one, one that violates the nation's basic sense of decency. It was also one for which corrective machinery already existed but was greatly in need of reform. The careful documentation of the case, organizing efforts and support to groups in communities with the greatest need, varied pressure strategies against the Congress and the Agriculture Department, accompanied by litigation in intractable situations, produced results. A real need was and continues to be met.

Cooperatives, Community Development, and Minority Businesses

Since the mid-1960s the philanthropic community has made a number of fairly substantial efforts to increase and support minority ownership of a variety of business enterprises. These efforts have included direct financing through loans and grants, the purchase of minority-produced services and goods, the provision of management and other technical assistance (including legal, accounting, and marketing assistance) and – in the case of corporations – the establishment of branches or plants in ghetto communities that have been at least partially owned by the residents. The area of economic development in poverty communities is one of the few where all three major branches of philanthropy – the corporations, the churches, and the foundations – have been active; it has also been one of the most complex philanthropic efforts, requiring long-range commitments and innovative approaches.

Collecting detailed information on the full scope of philanthropically supported minority business efforts would be a major undertaking. Assessing the impact of grants in the field is even more difficult. The following discussion simply traces a broad outline of the major activity in the field and is in no way comprehensive.[24]

The basic goal of the economic development projects is summed up by the Rev. Jesse Jackson, president of PUSH. He has stated that minorities "must own land, and have enough economic independence to influence the course of education and politics . . . just being workers can't do these things." Achieving this goal is a difficult if not insurmountable task. In 1969 minority-owned businesses represented 4 percent of the total number of American enterprises and only an estimated 0.7 percent of business volume. The 4 percent of businesses owned by minorities were estimated to have controlled only 0.3 percent of all nonfinancial corporation assets in 1971. (The capital concentration problem does not affect minorities only; 85 percent of the nation's productive capital is owned by 6 percent of the population.) The same disparity in ownership exists in regard to land as well. Although there are no national figures available, one foundation executive estimates that in the South Blacks have lost 7.5 million acres of land in the last 20 years.

Corporate and Rural Programs

Overall, the philanthropoids have generally neglected problems of rural poverty. The churches are the primary exception; they have provided small grants to a range of rural cooperative and community efforts and have also organized rural ministries. Among the foundations, the largest contributor has been the Rockefeller Brothers Fund which between 1970 and 1973 granted more than $1.3 million to organizations working or located in the South. Second to RBF is the Field Foundation with primary concentration in Mississippi and some lesser grants in other states. The Ford Foundation has made substantial grants to rural community development corporations in the South. The Southeast Alabama Self-Help Association and Mississippi Action for Community Education (MACE) are two key recipients which combine service activities with economic development.

Among the programs receiving foundation support are the Delta Foundation in Greenville, Mississippi, which provides employment, income-producing business opportunities, management development, venture assistance, and housing to MACE's constituents; the Emergency Land Fund which encourages and supports Black land ownership and development in the South; Penn Community Services, Inc., which operates in the Carolinas, primarily in the coastal plains region, helping Blacks to preserve land ownership and to insure minority participation in resort and other development profits; the Rural Advancement Fund of the National Sharecroppers Fund, Inc., which provides technical assistance to cooperatives and local community development groups; the Federation of Southern Cooperatives which serves all cooperative groups; the Southern Regional Council which provides technical and management assistance to local community development agencies.

These organizations and others like them have enabled small farmers to resist the trend toward big-enterprise farming, to "survive" as farmers, to consolidate their resources for more effective production and marketing, and to organize for purposes of obtaining or improving federal, state, and other benefits. Although the gains have not been dramatic in terms of producing noticeably improved economic circumstances, there is a general feeling that cooperative and rural development programs in the South have in the past couple of years contributed to new political alliances between Black elected officials and the Black and white poor. Similarly in other states, such as South Carolina, these groups have persuaded the state to play a more active role in rural development. And, equally important, they are helping to raise as a national issue the problems of the small farmer, of individual (as opposed to corporate) land ownership, and of national rural policies. This trend should be accelerated by the recent creation of the Washington-based National Rural Center, funded by a consortium of foundations led by RBF.

Minority Business and Urban Economic Development

Over the past decade The Ford Foundation alone has given $18.3 million for minority enterprises (in recent years a substantial percentage of these funds has gone to community development corporations); the remaining members of the foundation community have given a total of $10.8 million. As noted in Chapter V, three church denominations have (or had) special business development funds that have made more than $13 million available to ghetto business ventures. The contributions of the corporate community are harder to measure.[25] As indicated on pages 1143-45, a range of corporate support and contribution programs for minority businesses flourished in the late 1960s. Examples of quantifiable contributions include the $1 million to $2 million corporate investments in approximately 25 plants established by the end of 1968 in ghetto communities; the banking industry's commitment of $1 billion in loans to minority businessmen (made in 1970 over a five-year period); and the insurance industry's commitment of $2 billion in mortgage money to help solve inner-city problems.[26]

In addition to grants made directly to emerging minority business ventures, philanthropy has supported a number of technical assistance organizations and its own investment corporation. The latter, the Cooperative Assistance Fund, was created in 1968 to invest a portion of foundation assets in support of minority enterprises. A foundation becomes a member of CAF either by making an investment of at least 2 percent of its assets or $1 million, whichever is smaller (but not less than $100,000), or by making a yearly grant of at least $100,000 for administrative support. As of 1974, CAF had commitments totaling $3.3 million.[27] During its first three years, CAF made a wide range of investments providing both equity and loans to entrepreneur-based ventures, community organizations and cooperatives. The organization was involved in start-up situations, ongoing ventures, and failing firms in need of rescue.

Technical assistance to minority business has been provided by the Interracial Council for Business Opportunity (ICBO) which was organized in 1963 by a group of Black and white businessmen to give minority entrepreneurs free technical assistance provided by volunteer bankers, retailers, manufacturers, lawyers, and accountants (ICBO was started by RFB and has subsequently received more than $1.8 million from Ford.) The Washington-based Potomac Institute has also received grants to provide comprehensive financial and management assistance (through paid professionals) to minority businessmen. And both Capital Formation and the Chicago Economic Development Corporation have received foundation support. These organizations secure funds for and provide assistance to minority businesses. The Minority Contractors Assistance Project (MCAP) – also philanthropically supported – is a special-focus organization dealing with minority construction contractors' associations and their members. MCAP provides technical assistance to its members, operates a revolving loan fund for working capital, and guarantees bid and performance bonds that are otherwise unattainable.

Some of the initial philanthropic activity in the minority business development area has been assumed by the federal government through the Small Business Administration and Office of Minority Business Enterprises. But the initial promises of the Nixon Administration of massive assistance have been abandoned. An overview of the field suggests that a number of viable medium-size firms owned by minorities have been successfully launched and that these businesses, compared to the economy at large, have enjoyed a respectable growth rate.[28] Their future as well as that of less developed minority corporations is unclear. The federal government has not assumed an aggressive leadership role in the area as originally anticipated, and a noticeable drop in corporate involvement has occurred over the past few years. The question of whether public and private aid will have the staying power to stick with minority businesses over the next 10 years is unclear.

For the short term, although not the panacea it was originally regarded, minority economic development efforts have provided jobs and resources and created new career ladders or entry systems for Blacks and other minorities interested in business as a career. The CDC's and rural cooperative have produced an additional result: local organizations pressing for new governmental policies in regard to economic and social issues.

II

GRANTS TO MEXICAN-AMERICANS AND INDIANS

Mexican-Americans

Mexican-Americans are the second largest minority in the United States, with a population estimated at 7.5 million and growing at a rate twice that of the general population. The majority live in California and four states of the Southwest (Arizona, Colorado, New Mexico, and Texas), but Chicano communities are also scattered through the rest of the country, particularly the major cities of the Midwest.

Until recently, Chicanos have suffered many of the disabilities that have plagued other minority groups, including inadequate political representation, low income, high unemployment, poor educational services (resulting in low attendance and completion rates), and widespread discriminatory treatment that has included a blatant lack of respect by Anglo officials for Chicano language and culture. In recent years, stimulated by the gains achieved by Blacks in the civil rights battles of the 1960s and motivated by increased political organization in Mexican-American communities, Chicano groups have been able to achieve both economic and political gains. Organizational efforts have been supplemented by legal programs that have relied upon the courts to establish voting rights, educational rights, and improvements in local governments serving Chicano communities. Operating in a complementary fashion, the community organizing and legal programs have applied pressure on the federal government that has resulted in increased and improved expenditures in a number of federal grant programs, including Headstart, the poverty programs, and bilingual education.[29]

At the national level, the major philanthropic contributors to programs to benefit Mexican-Americans have been The Ford Foundation ($30 million since 1968); the Carnegie Corporation ($928,000 since 1965); The Akbar Fund ($188,850 in 1973); and the Field Foundation ($132,000 since 1967). Additional grants have been provided by the Rockefeller Brothers Fund (to support MALDEF), the Joint Foundation Support, and various church funds, particularly the Catholic Church's Campaign for Human Development which spent $838,730 for Chicanos in 1974 out of a total of $4.4 million in grants.

The major grants from The Ford Foundation have been for technical assistance to local Chicano groups, principally through the National Council of LaRaza (see below); for four community development corporations (Home Education Livelihood Program – H.E.L.P. – of rural New Mexico; Chicanos Por La Causa, of Phoenix; Spanish Speaking Unity Council of Oakland; and Mexican American Unity Council of San Antonio); for the Mexican American Legal Defense and Educational Fund (MALDEF); for various education programs,[30] and for the support of bilingual and Spanish-speaking television programs for public broadcasting stations. The Carnegie Corporation has made its major grants to MALDEF for education litigation, to the Independent School District of Crystal City, Texas, for an internship program in school administration,[31] and to the Youth Opportunities Foundation for Scholarships for Mexican-American Students. The Akbar Fund has given to a range of projects that include a legal assistance program for Crystal City, education and training in community development, economic development, rural services, and other programs. The Field Foundation provided the seed money for the initial organization and development of MALDEF in 1967 and has provided some support to that organization in subsequent years. It has also supported the Interstate Research Associates (IRA) for an educational development training center located in Crystal City and San Antonio and the Barrio Pediatric Comprehensive Health Clinic in San Antonio. The San Francisco Foundation has supported a number of billingual programs in its name city.

MALDEF

The Mexican American Legal Defense and Education Fund was patterned in part upon the NAACP's Legal Defense Fund and, in many ways, it has accomplished for Chicanos in its seven-year history many of the same gains that the former organization has achieved for Blacks.[32] MALDEF has worked assiduously to desegregate school districts and housing projects in the Southwest; it has brought a series of suits to protect the rights of individual school children in regard to discipline, suspension, and tracking and to insure adequate Chicano representation on the teaching and administrative staffs of public schools. It has also worked to reform culturally discriminatory curricula and teaching materials. MALDEF has also been active in the employment discrimination area in regard to both private and public employers and in the area of voting rights. MALDEF suits have paralleled NAACP Legal Defense Fund and ACLU cases in striking down unfair voter registration statutes, restrictive property qualifications for office holders, unfair apportionment or vote weighting schemes, and other barriers to equal access to the franchise. A major objective has been to increase Chicano participation, through the electoral process, on local policy-making bodies at all levels.

In the field of criminal justice, MALDEF has brought suits to prevent police brutality against local citizens, has successfully challenged jury selection processes on the grounds that they exclude Chicanos, and has attacked unfair prison conditions and practices. Overall, MALDEF has effectively benefited from the legal and organizational experience of the NAACP Legal Defense Fund and other legal organizations that have litigated civil and constitutional rights. At the same time, it has pioneered in areas of the law unique to the Chicano situation – such as water rights – especially in Texas, and problems stemming from discrimination against Mexican language and culture. Its "law reform" cases have helped to establish the legal and public policy parameters for many of the efforts of non-legal Chicano groups.

Organizers and Community Developers

There is no question that gains have been made for Chicanos in the past seven to eight years.[33] One important measurement of progress is the number of Chicano-elected officials that have moved into office in the past few years. The most dramatic accomplishments were the election in 1974 of two governors – Raul Castro of Arizona and Jerry Apodaca of New Mexico. In addition, there are four Chicano Congressmen and one Senator. But more importantly, Chicanos have moved into local elected offices throughout the Southwest, in much the same way Black elected officials have spread throughout the South. This has been particularly pronounced in small communities in Texas and New Mexico.[34] Other indicia include the growing number of Spanish-surnamed lawyers, businessmen, and private-sector leaders as well the growing national acceptance of bilingualism in a variety of public institutions.

National Council of LaRaza. One of the key players in the grantee community has been the National Council of LaRaza.[35] The council was founded in 1968 with offices in San Francisco and Phoenix (it was initially known as the Southwest Council of LaRaza); it has since expanded to work with more than 14 local affiliates,[36] shifting its emphasis from a clearinghouse and organizing effort to a technical assistance operation with primary focus on economic development and housing. The council has helped to create federations of local organizations to which it has provided accounting, legal, and other advice in the preparation of funding proposals and program development.

To better assist its affiliates in the field of economic development, the council in 1971 helped to establish LaRaza Investment Corporation (LRIC) – a Minority Enterprise Small Business Investment Corporation (MESBIC) – designed to supply venture capital to minority businesses. LRIC succeeded in assisting the opening of 20 Chicano business firms in its first year of existence. They ranged from a hardware and supply company in Denver and a day-care center in Commerce City, Colorado, to a bakery in Phoenix. In 1974, LRIC was dissolved because of disagreement between its founders as to its proper goals; a new MESBIC, Associated Southwest Investors, Inc. (ASI), has since been formed – again with substantial foundation support – and is now operating in Arizona, California, and New Mexico.

To further its economic development efforts, the council has also developed general handbooks and other aids for the establishment of new businesses which have been widely distributed among its affiliates. Probably its most ambitious direct-aid effort has been a $30 million 500-600-room hotel complex planned for Phoenix.[37]

Until 1973, the council was active in stimulating the development of low-cost housing by providing assessments of local needs, assistance in financing and grantsmanship, and training programs for barrio personnel. With the moratorium on federal housing subsidies imposed in 1973, this effort has stopped. Since the cutback in housing as a program emphasis, the National Council of LaRaza has turned increasingly – particularly after the establishment of its Washington office in 1973 – to monitoring federal programs in an effort to make them more responsive to the needs of Chicanos and other Spanish-speaking groups.[38]

The council is the largest national organization claiming to speak on behalf of the Chicanos.[39] Its affiliates reach a broad range of people and engage in a range of service and organizing activities. Although the organization itself does not lobby or engage in political activity, there is no question that the training and organizing skills it has transmitted to local community leaders has had such an effect. Both the LaRaza affiliates and a host of other local organizations, some of which have received foundation assistance, have in addition to their organizational mandates served as the training grounds for young Chicanos who have moved on into public position. The militancy of the early 1960s has produced a number of seasoned politicians.

Community development corporations. CDC's are locally controlled, tax-exempt organizations that aim at both immediate relief of severe social and economic disadvantage and eventual regeneration of low-income communities. CDC programs are usually funded by grants or investments from government and the private sector. They seek primarily to increase jobs and income, improve housing, secure better services from local government, business, and utilities, and foster a sense of hope in communities that have been stagnant or deteriorating.[40]

1. H.E.L.P. The Home Education Livelihood Program in rural New Mexico has received support from church, federal government, and private sources additional to the $453,450 it has received from The Ford Foundation. It currently operates programs

throughout the state of New Mexico that amount to $7 million annually. It operates businesses that generate a gross income of $2.7 million a year and employ more than 200 people. Among these are a company that has organized the production of individual weavers in the northern New Mexico mountain town of Truchas and developed markets for their products in a number of urban centers; a factory that produces camper trailer shells for pickup trucks; a firm that has organized woodcutters and developed markets for them resulting in substantially increased individual salaries; a farmers cooperative for processing and marketing supplies; and a number of other producers and consumers' cooperatives. H.E.L.P. has recently begun a water project to bring irrigation into previously arid rural areas; the project includes business development efforts.

Besides its economic development activities, H.E.L.P. has assisted in the establishment of 23 family health clinics in isolated villages in northern New Mexico. It has also served as an advocate, helping individuals to obtain federal benefits to which they are entitled but did not know how to obtain and has provided relocation services to community residents, moving them into improved housing.

2. MAUC. The Mexican-American Unity Council was formed in 1967 by several young Chicanos who were veterans of the radical student movement of the 1960s. MAUC began primarily as a vehicle for political protest but has since evolved into a community service organization. MAUC has 75 employees and administers over $4.6 million in projects in housing, economic development, job training, and community health and social services. Besides Ford Foundation funds, the organization has received substantial federal grants from OEO, Model Cities, and National Institutes of Mental Health[41] and private grants from the Opportunities Industrial Center and the Center for Community Change. MAUC currently has underway a project to rehabilitate a 12-block area in San Antonio's Westside, working cooperatively with city hall to upgrade public services at the same time housing is being renovated and business ventures are being attracted to the area.

MAUC has developed a profit-making arm, known as Industrias de MAUC, that owns a substantial interest in more than 10 businesses employing 353 people.[42] In addition, it sponsors a medical clinic that provides both mental health and general health services to the Chicano community. Ultimately, MAUC hopes that its current health projects will evolve into a complete health maintenance organization (HMO) for the *barrios*.

3. CPLC. Chicanos Por La Causa was organized by young student activists in Phoenix in the mid-1960s. The start-up grant for the organization was provided by The Southwest Council of LaRaza, and that organization provided support throughout the initial years. Although CPLC was initially a referral center, by the end of 1972 it had become a small community development corporation with programs in housing, economic development, health, and manpower training. Besides foundation support, it received funding totaling $400,000 from the Methodist, Presbyterian, and Catholic Churches, the Department of Health, Education and Welfare and the University of New Mexico.

CPLC has served as the sponsor of low-income housing and as an entrepreneur launching a variety of business activities. (In both areas, it has established successful relationships with local banks that have been willing to provide high-risk loans.) In addition, CPLC has assessed the health needs of the Chicano and Indian populations in the area it serves and currently administers one health clinic and has another in planning.

In the field of education, CPLC has worked with the University of New Mexico in the development of bilingual and bicultural programs and more effective parent participation on local school boards. More than a dozen graduate students trained under this joint program are currently working in the Phoenix public school system.

4. SSUC. Spanish Speaking Unity Council was organized in 1969 in Oakland to consolidate the efforts of the Spanish-speaking population of that city.[43] Initially, SSUC focused on leadership training and education, working as the distributor of small grants from the Southwest Council of LaRaza. SSUC has grown in 5 years to a staff of 15 and annual program activities amounting to roughly $1.3 million.[44] Its programs include a housing development project in a community east of Oakland that consists of 61 two- to four-bedroom townhouses for low- and moderate-income families (built largely by Chicanos), a business development program that has secured loans of nearly $2 million and provided technical and management assistance to 21 Chicano businesses;[45] and education and job training programs that have served around 500 people. The job training program is directly geared to available job opportunities. SSUC has also purchased an office building and has plans and financing to build a community resource center and office building in East Oakland.

SSUC has been unusually successful in developing effective ties with the local business community. It receives $40,000 a year in general support from the United Bay Area Crusade (the local United Way) and has received both direct support and technical assistance from a number of firms in the development of its business ventures.

Attitudes of Chicano Grantees

A number of Chicano leaders, including many who have received grants from private philanthropy, complain that only a small number of donors are interested in programs that really promise change; and of the donors who are committed to some type of social reform, many tend to focus primarily if not exclusively on programs that assist Blacks. These critics point not only to the vast amount of money that has been committed to Black education and other Black programs, but also to the new Black foundation (Twenty-First Century Fund), to the Black United Way, to the Association of Black Foundation Executives, and to the commitment of some foundations to support of a variety of Black ventures.[46] Part of the problem they attribute to the lack of Chicano board members and staff on the major foundations.[47]

Other problems raised by Chicano grantees have been the propensity for foundations to support middlemen such as lawyers, political scientists, housing experts, and others while shying away from grants to more activist groups. In fact, these critics claim that a whole new group of professionals that operate as the translators between the power structure and the powerless has been spawned by foundation grants. Such critics also suggest that some "liberal" foundations encourage adversary or confrontation tactics, when what is needed is direct intercourse with corporate and political leadership.

American Indians

The American Indian population today is approximately 1.2 million; of this number, roughly 500,000 each are in the urban and federal service populations and between 150-200,000 reside in the unrecognized and terminal rural communities. At most 50 percent have tribal status. (Many of those in urban areas maintain tribal status.) In no other group of Americans is there more illiteracy, poverty, unemployment, and undereducation. Until recently, Indians were on the bottom of the list of private philanthropy; however, in the past few years both church groups and foundations have greatly expanded their outreach efforts to Indian communities as well as the level of grants to Indian programs.

A range of foundations and church groups have given assistance to Indian programs. Among the leaders have been, from the foundations, the Field Foundation, the Akbar Fund, and the Phelps-Stokes Fund,[48] and, from the church groups, the Catholic Church's Campaign for Human Development and the Methodist's General

Commission on Religion and Race. Both Akbar and Phelps-Stokes have designated Indian programs as key areas of overall focus. In addition, The Ford Foundation has contributed significant funding (in 1973 Ford grants totaled several million and included special programs for Alaskan native land claims, for Indian education rights, and for the Native American Rights Fund); the Rockefeller Brothers Fund has made grants, primarily to the Native American Legal Defense and Education Fund; and the Carnegie Corporation has supported education curriculum development programs, scholarship funds, and education litigation. A range of other foundations including the Donner Foundation, the New York Community Trust, the Clark Foundation, and the Save the Children Foundation have supported various Indian program activities.

The role of the two foundations specializing in Indian affairs – Akbar and Phelps-Stokes – deserves special mention. The former, by contracting for consultant services from Indian experts, has helped to develop a blueprint of appropriate program activities that have been followed in part by other foundations. The latter, which has Indians on both its board and staff, has served as a broker between Indian groups and foundations in general, assisting the former in making contracts, defining program goals, and packaging proposals and assisting the latter in achieving outreach to Indian groups with which they would not normally have contact. For example, in October 1974, Phelps-Stokes sponsored a conference for "private philanthropists and Indian educators" to discuss Indian higher education needs. In the spring of 1975 it issued a directory as a guide for Indian groups seeking funds. There is no question that its brokering activities have leveraged a substantial increase in the grants made by foundations to Indian groups over the past few years. Such a role was particularly needed in regard to Indian programs because of the distinct nature of the problems to which they are addressed.

Because of the extensive involvement of the federal government in Indian affairs, much of the philanthropically supported program activity on behalf of Indians has involved legal questions. Some of these have been handled directly by lawyers, such as the Native American Legal Defense and Education Fund or the Native American Rights Fund;[49] some have taken the form of general advocacy, of trying to pressure federal bodies, including the Congress, to meet their treaty, statutory, or general jurisdictional obligations toward Indians. Although many issues remain unresolved, such as the extent of tribal governance powers, the status of Indians who do not live on reservations and their eligibility for federal (largely BIA) service programs, and the rights of the tribe to control natural resources within its boundaries, a great deal of progress has been made in the past decade both in defining Indian rights issues and in moving toward their resolution.

John Folk-Williams, an Indian who has served as consultant to the Akbar Foundation, summarized this progress in a report for the foundation:

> This report has summarized methods of Indian organization that would have been unimaginable fifteen years ago. The federally recognized tribes are attempting to utilize the remnants of national sovereignty left to them in Anglo-American law in order to strengthen their material, cultural and legal resources. The Navajo are now negotiating to assume all functions of their supervising BIA agency. The Miccosukee have already done so, and the Quinault are trying to develop a new model of tribal economic self-sufficiency and control over resources. Many tribes are winning the right to operate their own schools, are revivifying languages and cultural traditions and are testing the applicability of tribal legal concepts in their own and in non-Indian courts. At the same time, tribes are increasing their understanding of the national legislative process that affects their destiny more closely than it does that of any other group in the country. Whether the category be education, economic development, tribal sovereignty, legislative action or administrative reform, the tribes are trying as never before in recent years to reshape the institutions around them in terms of

> traditional Indian values and to define new techniques of adaptation to the contemporary society.
>
> The urban Indians and the unrecognized, terminated or disenfranchised tribes are all testing the legal definitions and administrative policies that have placed them at such a disadvantage in comparison with Indians accorded federal recognition. Communities never before recognized are either pressing for federal services or are forming their own development associations. Such organizations are giving a voice to previously silent and impoverished Indians like the Malecite of Maine and the Lumbee of North Carolina. The traditional Osage are challenging unrepresentative tribal government, while local Johnson-O'Malley advisory committees are forming a state-wide Oklahoma coalition to strengthen the hand of parent groups outside the tribal political structure. The terminated Klamath and Menominee and the unrecognized Pit River Indians are revitalizing tribal communities despite the absence of the traditional federal protections.
>
> Action across the country points to reintegration of Indian communities in both urban and rural settings and to a thorough re-structuring of the manner in which Indian and non-Indian values and institutions are to be blended in what is really a new Indian culture.

The list of Indian program activities successfully initiated in the past several years is long and, to an outsider, often difficult to understand. The following few paragraphs is an effort to summarize some of the key issues.

The Powers of the Tribe

Federal standards for recognition of tribal status, for enlarging the jurisdiction of tribes, and for protecting the governmental powers – both legislative and judicial – of tribes have been ill-defined. And in recent years some states have also taken actions that have tended to erode tribal powers. As suggested above, there is currently a resurgence of interest on the part of Indians in preserving the structure and function of the tribe that has resulted in privately funded program efforts to define and improve tribal authority and governance. Additional programs have sought to prevent encroachments by state governments on the traditional powers of the tribe, whether legislative or judicial, and to eliminate corruption and abuse of power on the part of tribal governments.

The Field Foundation, for example, has given $60,000 to the University of New Mexico Law School and the Commission on Indian Affairs of the State of New Mexico to assist tribes in strengthening tribal government; Field also gave a grant to assist the Crow Tribe in drafting a criminal code "consonant with the tribe's own principles of substantive criminal law";[50] the Akbar Fund has provided similar support through its grants of $29,997 to the Quinault Tribe to strengthen tribal structure and sovereignty.

The Rights of Indians Without Tribal Status

Substantial numbers of Indians live "off the reservation" in terminated tribal areas, in areas adjacent to tribal lands, or in urban settings. The rights of these Indians vis-a-vis the grant programs of the Bureau of Indian Affairs are unclear. Private philanthropy has supported programs that are attempting to define and extend such rights and to launch programs that, independent of BIA assistance, will meet the needs and interests of Indians. (These have included alternative schools such as The American Indian Movement (AIM) "survival school" in Minneapolis; the Dayton-Hudson supported Indian-run housing project in the same city; health clinics and similar projects run by some of the Indian urban centers.)[51] A major effort to help "off the reservation" Indians has been the campaign of Indian Education Training, Inc. (IETI) to make certain that the mandate of the Johnson-O'Malley Act (federal education grants to school districts with high Indian populations), requiring Indian participation in program determination and administration, is adhered to.[57]

The Protection of Tribal Land and Resources

Another concern of Indian groups has been the exploitation of mineral and other resources within the tribal territory by outside interests who take virtually all of the profits and the corresponding failure of the tribes to fully develop untapped resources. John Folk-Williams gives this description of the problem:

> The Navajo Reservation offers a good example of the style of economic development that is encouraged. All the oil, gas, coal, uranium and vanadium deposits are exploited by non-Indian firms who negotiate long-term leases and sometimes employment preference agreements with the tribal government. Money from the leases and a few jobs are all that come to the tribe, while profits from mineral extraction flow off the reservation. General Dynamics and Fairchild have plants on Navajo land that make the same sort of contribution.
>
> Tribal enterprises include a ranch, a utility, a forestry products concern, and an arts and crafts guild. Typically enough, the tribal utility produces no electricity but buys power from the non-Indian Four Corners power plants which produce electricity with coal obtained through another tribal contract with the Peabody Company. A few trading posts, motels and minor operations complete the list of tribal business. The same situation exists on the Wind River Reservation in Wyoming and at numerous others. The reservation is 'developed' by non-Indian firms while the employment rates for Indians remain at 50% and less, tribal income is inadequate, welfare rolls increase, and overall per capita income sits at under $1,000 per year.

A related problem is the development of tribal resources in a manner that may in the long run prove injurious to tribal interests – such as the institution of strip-mining projects in Four Corners in Northern New Mexico, the Black Mesa (Hopi Reservation, Arizona), and the Crown and Lame Deer Reservations in Montana or the development of resort complexes with long-term leases in Colorado and other locations.

Philanthropic grants to protect the tribes' rights and interests in their own reserves have included the following:

- The Ford Foundation, joining with the BIA and OEO, funded a comprehensive inventory and analysis of natural resources in western Washington to determine what tribal industries might be created to develop them. Environmental scientists produced land-use models and specific economic proposals. As a result, tribal ventures were launched in both the fisheries and the lumber industry.
- The National Congress of American Indians, a foundation-supported national Indian organization, has held conferences and distributed materials alerting Indian tribes to the potential energy resources on the reservations and has assisted tribal leaders in drawing up plans to develop those resources. Although coal leases received initial focus, attention has also been devoted to uranium, oil, natural gas, water-produced power and geothermal power.
- The Akbar Fund has supported Dineh Cooperatives, Inc., an organization that is assisting with the growth of cooperatives in the Navajo Nation.
- The Youth Project has funded research for the Navajo Nation that has postponed the execution of coal gasification contracts with two major companies and led to the investigation and development of more favorable alternatives that will preserve the benefits of economic development to the Navajos.

- The Native American Rights Fund, in a landmark case in federal district court in the State of Washington, has established the right of Indians, pursuant to treaties with the United States, to 50 percent of the harvestable fish off the coast of their reservation. The court held that the regulation of off-reservation treaty fishing was a matter of tribal not state jurisdiction.[53]

A project relating to the property rights of individual Indians that deserves special mention is The Ford Foundation's assistance to the Eskimos, Indians, and Aleuts of Alaska to enforce their claims under the Alaskan Native Claim Settlement Act. The claims act which was enacted by Congress in December 1971, was a final settlement of the outstanding claims retained by the native population against the state. (Until such claims were settled, development of oil and other resources could not begin.) Under the act, over a period of 20 years, 40 million acres of land will be ceded to village governments and to newly created regional corporations (a total of 212 local governmental entities); in addition, $962.5 million in cash settlement benefits will be distributed to the same bodies. The regional corporations will not only control the use of the land ceded to them but will have the mineral rights to all other native land and will assume important economic and governmental functions; in effect, they will become newly created community development corporations. All of this will take place without any public grants or technical assistance to enable the natives to make the necessary transformation.

To fill this void, The Ford Foundation gave grants totaling almost $1.5 million to the Alaska Native Foundation (previously the Alaskan Federation of Natives Charitable Trust) during the period 1968-1972. The ANF began initially as a communications network among the various Alaskan tribes. A central purpose of the organization was to alert native villages to the impending passage of a land claims act and to assist them in preparing themselves for its implementation. In 1970, the year before passage, Ford gave a major grant to the ANF to employ economists, sociologists, and planners to assess the opportunities and resources that would be available to local governmental units after the claims were settled. In 1972, Ford granted funds to assist the new regional corporations and village governments, as well as individuals, to exercise their rights under the new law. The grant covered technical assistance and planning resources as well as support in accounting, legal work, real estate, and training. A key goal of the program was to identify resource-rich land for acquisition in the execution of claims.

The results of the Ford investment will not be evident until after the programs of the regional corporations are fully activated. But the approach appears to be a sound one. The sudden availability of land and funds, the distribution of which depended upon initiatives taken by local governments, combined with the rapid creation of a new system of regional government without the availability of expertise and technical assistance could have resulted in the economic exploitation of the natives by outside interests. If the programs of the ANF are successful, on the other hand, they promise substantial reform of local government (with real community control), the introduction of much-needed services into remote communities, and the economic development – to the benefit of the natives – of vast regions of Alaska.[54] The project is an excellent example of philanthropic intervention after a major legislative enactment with the intent of insuring that the benefits of the law are fully realized.

Education and Culture

Another key concern of Indians has been the preservation of tribal traditions and culture both in art forms and through the educational process. Here again, the support of private philanthropy has been significant. Grants have been made to individual Indian artists and to support Indian crafts on a commercial basis. More significantly, groups such as the San Francisco-based Indian Historical Society have received funding for newspapers and journals that have become major vehicles for inter-tribal communication. The Historical Society (which has received around $400,000 in grants from The Ford Foundation and additional funds from other sources) publishes a quarterly journal on Indian life, a magazine for children, and an Indian newspaper.

In addition, as noted earlier, foundations such as the Carnegie Corporation have given significant grants to revise Indian curriculum and develop instruction models that will reflect Indian culture or to support alternative schools that will give Indians control over their own educational institutions. The Ford Foundation has funded the National Indian Leadership Training Center to prepare parents and school board members to play a role in education policy making, particularly in regard to the expenditure of federal grant funds. A key organization has been the Coalition of Indian Controlled School Boards that, over the years, has succeeded in reversing a number of BIA policies considered negative or harmful by Indian groups. Foundations (Carnegie, Arrow, Donner, to name a few) have also given grants for scholarships – or to supplement BIA scholarships – to Indian students. For a number of years such scholarships were administered by the United Scholarship Service, an Indian-run organization based in Denver.

III

POLITICAL PARTICIPATION AND THE REFORM OF GOVERNMENTAL INSTITUTIONS

The objectives of the powerless involve a variety of forms of advocacy and social action, but sooner or later all are directed towards political or governmental reform. The problems from which the powerless suffer would be resolved if the legislatures would engage in economic planning, if the nation would commit itself to a guaranteed income and a fairer distribution of wealth, if state and federal institutions would treat their clients or inmates fairly and with decency, if the Constitution and the laws were adhered to in spirit as well as in letter, and if political leaders willing to commit themselves to change and to set the proper moral tone were elected.

Even though it is politics and not projects that will eventually improve the lot of the powerless by making the society a more flexible and more humane one, only .7 percent of all foundation grants made in 1972 and 1973 went specifically to questions of politics and government reform. Philanthropoids have given very few funds to support reorganizations and rationalizations of local governments or to insure open proceedings. What aid has been given has generally neglected the legislatures, whether city councils or state assemblies, in favor of the executive branch of government. This has occurred despite the fact that groups such as the Citizens' Conference on State Legislatures have reported on the dismal state of the state policy-making bodies, pointing to their inability to play a fully effective role under the Nixonian decentralization policies, much less to grapple with their snowballing responsibilities in a manner that would benefit the powerless.

This then is an area that has been greatly neglected. There need to be more grants aimed directly at the machinery for governing as well as grants to open up policy-making bodies to advocates for the disadvantaged and to broad social analysis. There needs to be more advocacy directed at the state capitol (one observer suggested that all the Washington-based public interest lawyers who love to hobnob with the Congress should be moved to the states where they are really needed); and above all, there needs to be expanded political activity.

This section describes two program areas where philanthropy (primarily the foundations, with some church and recent corporate assistance for voter education) has supported efforts that directly affect government. The first and most important of these is voting rights and education: assistance to those who have been denied the franchise, accompanied by hard-nosed legal challenges knocking down barriers that inhibit the exercise of the vote. This area of activity has not only greatly increased the Black vote in the South but has also led to challenges to unfair apportionment and election methods across the country at all levels of government. The second case is the school finance reform movement begun in the late 1960s. This effort is one of the few where broad philanthropic aid was made available to challenge *state* taxation and resource distribution schemes for supporting the public schools (the largest area of state and local funding). Unlike other activities that had a substantial legal component, the school finance reform movement gave as much technical assistance to the legislatures as to the courts.

There are, of course, many other examples of philanthropic giving in regard to political participation and government reform. Individual donors have supported Common Cause to become a leading advocate for open and fair governmental processes at the state and national levels. The Eagleton Institute and the Citizens' Conference for State Legislatures as well as the newly formed National Legislators' Conference have received substantial foundation support to restructure state legislative proceedings, to upgrade interim sessions or improve committee systems, to introduce planning and oversight procedures, to enlarge the legislatures' activities, preventing incursions on their authority by the executive, and to begin to place before the Congress the views of state legislators in regard to federal policy deliberations that affect them.

In addition, considerable support has been given to attract young talent to government careers through fellowship or intern programs in state and local, as well as federal, agencies. Somewhat similar support has been given to organizations like the Institute for Educational Leadership that support public leaders in fields such as education, keeping them abreast of new issues and creating lines of communication between them and their counterparts at other levels of government.

Funds have been given to support studies of all kinds dealing with government performance: to measure outputs by public agencies, to develop evaluation schemes for programs that provide social services, to create decentralization models, and a host of others. But the preferred form of giving remains projects focused on special subjects, such as education, health services, or the criminal justice system. As noted throughout this paper, these projects, where successful, provide the underlying data for subsequent legislative decisions and indirectly contribute to governmental reform. But most do not. The basic institutions of government that alone can bring the change that grantors and grantees alike claim to seek remain largely ignored.

Voting Rights and Voter Education

In 1962 only 1.5 million Blacks were registered to vote in the southern states. In 1972, after substantial foundation assistance to programs for voter registration and voter education and to support legal challenges to unconstitutional barriers to voting, this number was increased to 3.5 million. Furthermore, these registration gains were directly translated into political gains. In 1965 there were less than 100 Black elected officials in the 11 states of the South. In 1973 there were 1,144, a more than tenfold increase.[55] At the same time, a series of legal decisions had been won that eliminated a range of barriers to voting and that equalized the votes of minorities, once cast, by imposing a standard of "one man-one vote" on state and local apportionment schemes.

These changes were effected through the persistent and diversified efforts of a number of foundation-supported organizations that included various state human relations councils, the NAACP and the NAACP Legal Defense Fund, CORE, the ACLU, the Lawyers' Committee for Civil Rights Under Law, and others. But perhaps the most central role was played by the Southern Regional Council and its spin-off, the Voter Education Project.

In 1956, the Southern Regional Council, with the support of the Fund for the Republic,[56] conducted a survey of Black voters that was the first of its kind since 1947. In 11 states the survey examined on a county-by-county basis the number of Blacks registered; the legal and administrative provisions affecting Black registration; the extent of discrimination and intimidation of would-be Black voters; the presence of "apathy" as a cause of non-exercise by Blacks of the franchise; the actual number of Blacks voting; the effect of voting on the community status of Blacks; and the relationship of the individual Black's registration to vote to characteristics such as his level of education and economic status.

The results were alarming: only 25 percent of the eligible Black voters were registered. In county after county throughout the South registration was effectively barred by legal and practical impediments such as the poll tax, complicated literacy tests, oral examinations that required an interpretation of the Constitution or the laws, the refusal of voting registrars to assist Blacks and, in some cases, threats and intimidation of would-be Black voters. In many counties where Blacks comprised the majority of the population, there was no registration at all.

In 1957 Congress enacted the first Voting Rights Act (42 U.S.C. 1971). The act proscribed interference with the right to vote in any general, special, or primary election for federal offices by private individuals or by persons acting under color of law. The Attorney General was given a right of action to prevent acts that would deprive persons of their rights under the act, and the federal courts were given jurisdiction to entertain such proceedings. At the same time, a federal civil rights commission was created to develop, among other things, statistics on the exercise of the right to vote by minorities. At the time of passage of the bill, there were no Justice Department or other official records concerning Negro registration or voting levels anywhere in the government; heavy reliance was placed on the SRC figures.

In 1959 and thereafter SRC issued updates of its findings, serving as the nation's only source of evidence on the incidents of discrimination against the Negro voter. (The role of developing the underlying data and case materials for public action – and then subsequently monitoring public performance – is one of the most effective modes of action for nonprofit social action groups.) As its work progressed, SRC received more and more appeals from communities and individual voters throughout the South who reported atrocities by white officials obstructing the Black vote and who sought help in preventing such abuses.

In 1962, SRC launched the Voter Education Project with funds from the Taconic Foundation. Stephen Currier, the head of the foundation, played a central role in assemblying the key players for the project and developing a unified strategy. The result was a joining together of all the principal civil rights groups active in the South, along with state human relations councils and local organizations, to assist Blacks with voter registration.[57] The VEP Project parcelled out funds to local civil rights groups that provided direct registration services; in addition, it played an informational role, publicizing to the nation the feedback it received from its registration efforts. By October 1964 the VEP reported that 698,000 new Black voters had been added to the registration lists of the 11 southern states.

The following year, after Martin Luther King, Jr.'s historic march from Selma to Montgomery and after the brutal treatment afforded would-be Black voters in Selma, the Congress passed the Voting Rights Act of 1965. This act brought all elections (not just federal) within its reach and further secured the right to vote by providing new protection and enforcement mechanisms in states where the registration of Black voters fell below a certain percentage of the Black population. It provided for the development in those jurisdictions of statewide plans that required the approval of the Attorney General, and in addition provided for (1) suspension of the use of literacy and other tests and devices that had been used to deny the right to vote on account of race and color; (2) the appointment of federal examiners in such areas to register persons qualified to vote under state law in state, local, and federal elections (except where such state law is suspended by this act); (3) the grant to the federal courts of the power to enforce the Fifteenth Amendment by authorizing appointment of examiners pending the outcome of litigation challenging the Fifteenth Amendment violation; and (4) the provision of civil and criminal remedies. Again, evidence and data drawn from SRC's VEP provided dramatic evidence of the need for such legislation.

In late 1965 the second phase of VEP was launched, with additional support from the New World and Field Foundations. The new Voting Rights Act gave the project added impetus and provided it with leverage to compel changes in local registration practices. By this time VEP had expanded to include classes for voters that provided instruction on the use of voting machines, on the responsibilities of citizenship, and on the structure of state and local government. It also provided training for newly elected Black officials who had previously had little contact with government and little exposure to the legislative process.

Since that time, VEP has expanded its reach and chalked up an impressive record of voter activity. In the latter half of the 1960s, the larger foundations, including the Carnegie Corporation, the Rockefeller Brothers Fund, and The Ford Foundation, began making contributions to the project.[58] Ford made grants totaling more than $2 million over a six-year period to the project.[59] Although the project has diversified its activities to include a range of assistance to Blacks seeking increased political participation, its major activity remains voter registration and encouragement of actual voting.

Once again, SRC's VEP clearinghouse and data collection services were instrumental in the congressional debate conducted in 1969 that led to a five-year extension of the Voting Rights Act. SRC's publication, the "South Today," pointed out in 1969 that "nothing less than the political future – and with it, much of the social and economic future of Southern Negroes – is at stake" in the renewal of the voting rights legislation. VEP provided data on the gains achieved during the past five years and documented the problems remaining, showing their uniqueness to the South. Today the federal voting rights legislation is again up for renewal. In addition to the voices speaking on behalf of Southern Blacks, there is strong pressure to pass similar legislation to assist the Spanish-speaking to become active voters, particularly in the Southwest.

There is no question that the 1965 and 1969 voting acts were of crucial importance to expanding the Black vote. But without the activities of VEP and the foundations, the full potential of those laws would probably not have been realized. The voting rights program in the South, aided and abetted by philanthropy, has probably produced the most dramatic results of any of the efforts discussed in this paper: It has brought Blacks into the political life of the South and consequently of the nation by more than doubling the vote; it has produced a group of outstanding Black political leaders and elected officials; and it has produced equally important but less measurable changes in the kind of white politician who has been elected in recent years to lead the South. As far as philanthropy is concerned, the lead was taken by one small, experimental foundation, followed by two or three others of similar character and then, when the development stage was over and the risk greatly reduced, by the intervention of foundations with greater assets. Today with the obstacles to the Black vote greatly reduced, VEP appears to have little trouble raising funds.

The education effort in this field did not stand alone. It was accompanied by vigorous legal activity led first by the NAACP's Legal Defense Fund and joined later by the ACLU and the Lawyers' Committee. These groups helped to strike down many of the unlawful practices that were relied upon to prevent Blacks from registering and voting once violent tactics of resistance were replaced by more subtle stratagems. They also helped to expand the one man-one vote principle established in *Baker* v. *Carr* to cover state and local elections as well as national elections and to prevent the application of new laws that sought to get around the equal voting principles by weighting or diluting votes as a means of undercutting the Black franchise.[60]

And, as indicated above, the movement has spread to other areas of the country to provide assistance and protection to other minority groups. The National Urban League in the cities, the League of Women Voters, and others promoting the "youth vote" have all played a role in expanding the voting lists. In the Southwest, the Mexican-American Legal Defense and Education Fund has followed the lead of the legal groups active in the South in breaking down barriers to the Chicano and Indian voters.

Although many lessons can be drawn from philanthropic activity in this area, one is particularly clear: charitable grants produce measurable and concrete results when they are directed to assisting individuals in the exercise of a personal right and when they are based on strong local organizations that have a solid and sizable constituency.

School Finance Reform

Although most of the areas where philanthropic grants have produced marked and relatively short-term successes have involved the exercise of individual rights or the support of emerging new leadership talent, there is at least one area where substantial gain has resulted from more complex, structural reform efforts. In the mid-1960s, conceptual challenges to the nation's method of financing its public schools were published in two distinct scholarly works: *Rich Schools, Poor Schools* by Arthur Wise and *Private Wealth and Public Education* by Coons, Clune, and Sugerman.[61]

These works noted that the nation's $50 billion public school budget was based on taxes that were inequitably raised and that were distributed in a manner that compounded the initial inequities. Instead of the American ideal of equal educational opportunity, the finance system underpinning the public schools made the amount of money available for each child's education dependent upon the wealth of the community in which he lived. Because school funds were raised from property taxes, children from property-poor neighborhoods received less funds, despite their often greater needs, than children from property-rich neighborhoods.[62] The schools simply reinforced existing class distinctions.

Both Coons and Wise suggested that this method of financing might violate the Fourteenth Amendment's guarantee of equal protection. Coons went further in articulating a specific standard of school finance: He postulated that under the Constitution, at the very least, the quality of a child's education could not be dependent upon the wealth of the district in which he resided. Both authors concluded that antiquated state laws would have to be revamped if public school resources were to be fairly distributed.

Spurred by these writings and by the efforts of James Kelly, a foundation program officer, The Ford Foundation initiated a series of grants that have over a ten-year period revised public thinking on school financing schemes and resulted in substantial reform of individual state laws. In later years Ford was joined by other foundations including the New World Foundation, the John Hay Whitney Foundation, the Carnegie Corporation, the Spencer Foundation, and the Southern Education Foundation, Inc. Recently HEW's Office of Education has followed the lead of the foundations and made grants or issued contracts to support research in the field.

Ford has given more than $5 million in this field. Its grants have ranged from a contribution in 1967 to the National Urban Coalition (NUC) to provide a detailed analysis of the method by which the State of Michigan funded its schools, to grants to the same organization to support the development of community coalitions in California, Texas, New Jersey, and elsewhere organized to assert the interests of Blacks, Mexican-Americans, and other disadvantaged or minority groups into the design of new financing formula, to grants to legal groups to litigate or develop new legal theories for challenging unfair financing schemes.

The data developed by the NUC's Michigan grant were utilized in a major federal court challenge brought by the Detroit school board against the state. Although the suit was eventually dropped, the issues it raised and the case it developed were important factors in the subsequent redraft of the state's finance laws championed by Governor Milliken – and ultimately passed by the state legislature. The second NUC grant to support community groups resulted in large part in the recent commitment of the Governor of Texas to make education his number one priority; in the blockage of state legislation in New Jersey and in Texas that did not make adequate provision for the urban poor; in a new California school finance law that increases state expenditures by $1 billion; and in other education-related reforms. More important, new, self-sufficient bases for community involvement in education policy making have been created.

Other groups that have received foundation support in the school finance area are the Urban Institute in its analyses of the deficiencies in a number of state laws; the Education Commission of the States in its work with state legislators to assist them in understanding the complexities of school finance and in drafting better laws; the Eagleton Institute of Rutgers University in its work with state legislative oversight committees, helping the education committees of state legislatures to assess on a continuing basis the impact of their finance laws (as well as other laws pertaining to education); the Lawyers' Committee for Civil Rights Under Law in its effort to coordinate and improve the effectiveness of the rapidly expanding court challenges to state school finance laws; and the Childhood and Governance Project at the University of California at Berkeley in a multi-disciplinary program that, among other things, has provided extensive research for the legal challenge to the California system of school finance *(Serrano v. Priest)* and has provided the basic conceptual framework for a number of alternate systems for funding public education.[63]

In addition, the foundations have funded projects such as the League of Women Voters in a multi-state clearinghouse activity that keeps interested citizens and officials informed of school finance developments; the Florida Citizens' Committee on Education which worked with the governor's office in producing a study of the overall problems of education in the state (resulting eventually in reform legislation for school financing); and various legal groups involved in litigating school finance inequities in the state courts and/or working to implement reforms once favorable court decisions have been rendered.

Despite the number of organizations active in the field, there has over the past decade been little rivalry and much cooperative effort and complimentariness in the work done by each. Although each of the contributing foundations has added to the diversity and cohesiveness of the effort, there is little question that The Ford Foundation has played the lead through its persistent "entrepreneurial effort."

The results of the range of grants in the school finance area have been significant. A system that absorbs anywhere from one half to one third of state and local governmental budgets has been examined and "taken on" by civic groups, minority organizations, governors' offices, and legislatures, despite its complexity and previous obscurity. The problem of how the nation finances its schools has become a central political issue that will dominate state legislative debate for the next 5-10 years. The foundations did not abandon the issue after the first successful court battle, nor did they withdraw support when the issue reached the front pages of the major newspapers. They persisted in the long haul and, according to all indications, are still committed.

The returns are not yet in on school finance reform. But the results so far are significant. It is one of the few philanthropically supported movements that has focused on the states and their laws, rather than on federal programs. (Generally, there is a serious lack of state-level advocacy programs on behalf of the powerless.) When the reform effort started, only 5 to 15 states did not have a structural school finance problem. The remaining 30 to 35 states, comprising 75 percent of the nation's population, had substantial problems varying in degree of severity and complexity. As of early 1975, at least half of the latter states had either passed reform legislation or were in the midst of a legislative battle over reform as a result of political leadership or court action.[64]

In addition to the concrete legislative gains, the groups that have been active in the school finance reform have developed new capabilities for grappling with education policy making generally. By mastering the complex financing laws, they have become familiar with the overall structure of the education system and with its legal underpinnings. The school finance reform movement has stimulated a range of education advocacy programs examining the accountability of school systems, the relationship of quality education to funding, the schools' refusal or inability to teach children with special learning problems, and a host of other issues.[65]

IV

REVITALIZING RIGID INSTITUTIONS TO SERVE THEIR CLIENTS OR MEMBERS

In the past decade a range of philanthropically supported organizations, particularly "advocacy" projects, have made remarkable gains in reversing repressive, corrupt, and discriminatory practices on the part of major institutions. Most, but not all, of these have been in the public sector. Examples have included prison reform efforts that through the courts and the legislatures have helped to reduce brutality in prison settings and to introduce an element of due process in the handling of prisoners; litigation to end the therapy-less warehousing of mental patients, especially institutions for disturbed children (the work of the Washington-based Mental Health Law Project has been particularly noteworthy in this area); the ACLU's military justice project that through careful challenges to military tribunals has halted the widespread issuance of less than honorable discharges that have in the past ruined career and personal development opportunities for thousands of veterans; and the pressures exerted by a number of local groups to halt police brutality and intimidation.[66]

Sometimes these programs have resulted in the closing down of the abusive institution and the creation of improved alternatives; sometimes they have resulted in new laws setting standards for the institutions' performance; and occasionally they have resulted in entirely new leadership of the challenged institutions. Often they have simply forced recalcitrant administrators to abandon their most offensive practices.

The following brief case history describes one of the more successful campaigns to return a rigid, unresponsive institution to its proper course. It was selected because it is one of the few such efforts directed at an institution in the private sector, the United Mineworkers Union, and because its achievements were sufficiently broad to produce major and lasting results.

Union Reform: The Case of the United Mineworkers

In 1968 the United Mineworkers Union was one of the most rigid, corrupt unions in the country. Its leadership had fallen into the ways of petty tyranny and cronyism with the leaders of the industry. They used the union for their own purposes rather than those of the membership and preyed upon the mineworkers' multi-million-dollar pension fund, a legally independent entity, at will. The result was inadequate medical, safety, and other protections and a deficient salary structure for the union's 200,000 members. Corruption in the union affected the entire climate of life in Appalachia where much of politics and life are dominated by the coal industry.

During the ensuing six years, a series of events occurred that has resulted in a rebirth of the union and the turning of its resources and power to the service of its members. These events were greatly assisted by the contributions of a small number of foundations. In 1969 the union leadership was for the first time contested by the emergence of Jock Yablonski and a slate of "dissident" miners to challenge the regime of then-president W.A. (Tony) Boyle. Although Yablonski was brutally murdered by hired killers (later connected to Boyle), his initiatives led ultimately to the overturn of the Boyle election and a new election that placed a reform slate headed by President Arnold Miller in control of the union.

Volunteer- and foundation-supported groups including the Appalachian Volunteers, the Miners for Democracy, and others such as the *Miners' Voice* began organizing, or speaking out and writing, against the hardships of the miner's existence and the inequities and illegalities within the union. At the same time, a series of legal challenges were initiated, largely by attorneys from Washington, D.C., that resulted in an entire housecleaning of UMW leadership and in the reform of its mammoth welfare and retirement fund. Finally, as the new leadership gained strength it succeeded in unionizing one of the last strongholds of anti-union resistance in Kentucky's Harlan County, the Brookside Mine owned by the Duke Power Company.

The turning around of an old and rigid institution that had lost its mission was accomplished primarily by new, courageous leadership. The changes were, however, greatly facilitated by private groups and individuals who received philanthropic support.

The foundation assistance represented a total investment of under $200,000; the major participants were the Norman Foundation, DBJ, the Kaplan Fund, the Stern Fund, and the Field Foundation, with some assistance from individual contributors. The main recipients of the funds were the Washington Research Project and The Youth Project. The latter supported the *Miners' Voice*, providing a crucial alternate voice to the Boyle-controlled union newsletter. The former initially utilized general support funds to finance the lawsuit that challenged the administration of the UMW's Welfare and Retirement Fund[67] (the suit was later transferred to a private law firm when Harry Huge, the litigator, left the WRP). The WRP subsequently served as a conduit for support to the Miner's Project, headed by Joseph Rauh, Jr., and Joseph A. Yablonski, Jr., son of the murdered leader.

The pension-fund suit resulted in a judgment of $6.7 million in damages for disabled and retired miners who had been denied adequate benefits (or any benefits) by the maladministration of the Welfare and Retirement Fund; equally important, it resulted in the subsequent restructuring of the fund in a manner that has separated it totally from the union and enabled it to become one of Labor's more progressive and effectively run pension funds. The efforts of Rauh and Yablonski resulted in a declaration that the reelection of Boyle was in violation of NLRA standards, in the ordering of a new election monitored by federal election officials, and in the termination of a number of illegal and corrupt practices previously engaged in by the union leadership.

Specifically, these suits accomplished the following: insured the right of the Yablonski people to distribute literature to union members; requested the reinstatement of Yablonski after he was fired from the union for running for office; sought to insure equal coverage in the mineworkers journal for his candidacy; insured fair election procedures; sought to have the union officers accused of illegally taking funds from the treasury and to compensate the union for misuse of funds; intervened on behalf of Miners for Democracy in the suit filed by the Secretary of Labor to have Boyle's election set aside; and successfully prevented expulsion from the union of reform members on charges of "dual unionism."

Under the direction of its new officers, headed by Arnold Miller, the UMW in 1974 negotiated one of the most favorable union contracts of the past few years. It provides annual salary increases over a three-year period of 10 percent, then 4 percent, then 3 percent for the miners; guarantees safety and other benefits; and increases substantially industry contributions to the Welfare and Retirement Fund. The union leadership has taken the union back to the membership, creating close ties to miners in the coal fields, pressing for strict enforcement of federal legislation designed to protect mineworkers (such as Black Lung benefits, worker safety standards, and other laws), and developing a broad range of programs to meet the needs of the workers.

The philanthropically supported reform efforts[68] that contributed to the overhaul of the UMW represent an excellent sense of timing and willingness to go with strong new leadership. The return on the investment has been far beyond what is normally accomplished with foundation programs (except where large government funds are released). By supporting a few key battles that might not have been fought or fought as successfully without outside funding, the foundation grants made it possible to redirect the multi-million-dollar UMW general budget as well as the $99 million budget of the Welfare and Retirement Fund to provide essential services and representation for miners and their families.

There is no question that a large foundation such as Ford could not become involved in such an issue without accusations of politicking being leveled at it. But the smaller foundations realized that their assistance to miners to exercise their rights vis-a-vis their own institution that had virtually abandoned them was as legitimate an object of charitable largesse as the many programs designed to help minorities, women, and others "get their due" from public agencies.

V

A SPECIAL LOOK AT CHURCH AND CORPORATE GIVING

This section reviews recent developments in the kinds of assistance that church groups and corporations have made to the powerless. These two categories of donors are given special attention because much less is known about their activities among the philanthropic community, among grantees, and among the public at large than is known about foundations and because most of the projects and case studies described above have received their support principally from foundations. The sample in many ways does not do justice to church and corporate giving.

The Churches

There is no central repository of information concerning the contribution made by the churches over the past few years to aid the powerless.[69] Apart from reviewing grant lists of "special funds" and interviewing church personnel, it is difficult to get a handle on this substantial segment of aid. In fact, this area might well merit further research by the Filer Commission or by any organization subsequently established as a result of its work to oversee philanthropic activity in American society. The following is a necessarily superficial and broad-brush treatment of some of the areas of primary church activity.

Church contributions in terms of manpower, money, and technical support vary substantially by denomination and by programmatic subject matter. All churches provide extensive social and community services to their own members and with special assistance directed to poor members. Beyond that, some churches have deliberately and substantially reached out beyond their own people to address the problems that plague the society as a whole. The past decade has seen a unique phenomenon in church, as in other areas of philanthropy: an effort to redirect church contributions of all kinds to alleviate the deprivations of minorities and other powerless groups. Central to this effort has been the creation of special funds that have made direct grants to assist such groups. Other, more traditional, aspects of church giving to support the powerless have included welfare or special relief programs and projects to reorient the United States from militaristic to more peaceful foreign policies.

Special Funds

The special funds are national-level funds, ranging from several hundred thousand to five million dollars, that are specially earmarked for the powerless. They were created around 1966-1967 for a variety of reasons, which varied by denomination. These included a desire to make available a pool of church resources to minority control; an effort to dramatize a broad appeal throughout church membership; and the creation of a process whereby people in local communities could begin to identify their needs and to organize to address them.

The principal special funds today are the Presbyterian Church's National Committee on the Self-Development of People; the Methodists' Fund for Reconcilation and Fund for Religion and Race; the United Church of Christ's Committee on Racial Justice and its Office of Communications;[70] the Episcopal Church's Community Action and Human Development (CAHD) program (previously the General Convention Special Program, GCSP);[71] and the Catholic Church's Campaign for Human Development (The Campaign). In addition to these general purpose funds, three denominations – Presbyterian, Episcopalian, and Methodist – also established organizations in 1968 specifically aimed at assisting minority entrepreneurs.[72]

A look at the Episcopal funds will indicate the general structure of these operations. The initial fund, GCSP, gave away more than $1 million per year. (In one observer's words, "it tried to do too much too soon.") CAHD, the successor organization, in 1974 had an operating fund of $34,000 and a grant capacity of $650,000 representing approximately 5 percent of the 1974 general church program budget. It is administered by a 10-member commission composed of 7 members representative of the Black and poor communities, elected by the executive council; 2 members of the executive council and the presiding Bishop, as chairman. Organizationally, CAHD is under the umbrella of the church's Mission Service Strategy which includes several other programs also directed at minorities. These are the Episcopal Asiamerica Strategies Task-Force (EAST); the Episcopal Commission for Black Ministries (ECBM); the National Commission on Hispanic Affairs (NCHA); and the National Committee on Indian Work (NCIW).

In many ways the funds operate along the foundation pattern, but without some of the restrictions that characterize that pattern. A unique aspect of church-fund giving that distinguishes it from foundations is its ability (not always exercised) to support organizations that do not have 501 (c) (3) tax-exempt status. Among other things, this provides community groups with start-up funds prior to the time when they can raise money from their membership or other sources.

Although each fund is an independent entity that reflects the philosophy of the parent church, the work of the funds is loosely coordinated by the Joint Strategy in Action Committee. The committee coordinates fund and mission programs in certain areas and publishes a newsletter, the "Grapevine," to keep grantors informed of new developments in the areas of their giving.

If it is possible to identify a single area that has received the greatest support of church special funds it is that of local community organizing around civil rights issues, corporate abuses, and a variety of public interest issues. Among the major community organizations that have received church support are FIGHT in Rochester,[73] BUILD in Buffalo, the Woodlawn organization in Chicago, the Guadalupe organization near Phoenix, Arizona, and the Mission Coalition Organization. These groups through a variety of advocacy tactics have worked to improve the public schools, to upgrade public services and housing and the terms upon which they are made available, to open up the political process, and to equalize the hiring and other practices of private corporations.

In addition to major multi-faceted community organizations, the churches have also given funds to a broad range of smaller community organizations that have worked to improve local conditions. A review of one church fund's grant docket, for example, shows grants during 1974 for such purposes as "classes, workshop and counselling activities in the areas of drug and alcohol addiction and rehabilitation" in Orangeburg, South Carolina; "a project to carry out investigations and collecting information about discriminatory working conditions against Asians in Alaskan canneries" based in Seattle, Washington; and a grant to an organization in St. Just, Puerto Rico, that deals "with action programs to eliminate the problems common to the working people." Another church grant list includes a grant to Savannah, Georgia, "to strengthen the ministry of a Black church to a college campus, an inner-city low income area, and a rural mission"; a grant to Rice Lake, Minnesota, "to enlarge and improve the Community Hall of this mission church serving a small Indian community, and needed for everything from classrooms to wakes"; and a grant to Birmingham, Alabama, "to pay for a staff lawyer who will assist the Black community as it seeks legal solutions to its problems."

In addition to the special funds, individual parishes or temples with well-to-do congregations or individual members frequently have their own giving programs. A good example of this is the multi-million-dollar program run by Trinity Parish in New York City. As noted elsewhere in this report, in addition to a variety of local grants in New York City, the South and elsewhere, Trinity has recently supported a litigation program to equalize public services. Another example is the Episcopal Diocese of Rochester's Margaret Woodbury Strong Fund which over a two-year period gave away more than a half million dollars. In fact, the total contributions of lower level judicatories, conferences, congregations, and temples greatly exceed the resources of the national-level special funds.[74] The significance of the latter is their national scope, their pace-setting role in relation to lower-level grant making, and their greater capacity to provide church-wide education on the issues addressed.

One final form of special fund deserves mention. In the mid-1960s several Protestant, Catholic, and Jewish denominations joined together to form the Interreligious Foundation for Community Organization (IFCO). IFCO was designed to provide direct assistance to community organizing efforts around the country devoted to social justice. Today the organization has expanded to include international food programs[75] and has achieved a high level of credibility in its domestic operations.

In 1974, IFCO made grants totalling $260,286. The major donors were the United Presbyterian Church of the USA ($148,000), the United Church of Christ ($47,660), the American Baptist Church ($25,000), and the Disciples of Christ ($20,000). Other contributions were made by foundations, local organizations, and at least one corporate contributor (Singer). In IFCO's words, its grants went to assist "hungry people in America and throughout the world; farmworkers of America; unemployed of America" and to provide "justice for all Americans, training of community organizers and cooperative social change activities with churches and technical assistance." A major IFCO project in recent years has been the creation of the Black United Fund "to raise funds from Black communities for Black priorities."

Finally, the community organizing grants of the funds are often supplemented by the work of special ministries – urban and rural ministries, education ministries, or unique efforts such as the National Farmworkers Ministry. The Farmworkers Ministry, for example, is a $200,000 per year operation administered by a board representative of a variety of religious orders and denominations that runs a program of worker-priests who are assigned to specific aspects of the farmworkers' movement throughout the West.

The contributions of the special funds have been of great significance to a large number of vital grass-roots organizations. Today, the future of the funds is in doubt. This is due principally to the downturn in the economy and the consequent reduction of church resources available for such purposes. It is also due in part to less enthusiasm on the part of church memberships for assisting the powerless and in some cases to questioning as to the extent to which the funds have had any substantial effect in reforming the overall commitment and operation of the church body itself, or whether they haven't been a more liberal appendage to an institution that, in its reflection of the rest of the society, has not yet made a full commitment to the welfare of all the people.[76]

General Welfare Support

Ecumenical support of settlement houses, homes for vagrants and the down-and-out, facilities for troubled or homeless children, hospitals and other institutions that serve the poor has gone on for decades and has continued to the present. Some churches have administered entire hospital chains such as the Presbyterians in Appalachia and the Catholic Sisters of Mercy on the East Coast. In addition, a number of churches have given special aid to migrant workers that in later years has expanded to include Spanish-speaking community organizations. Similarly, churches have been key in refugee resettlement activities in the U.S. and abroad. Domestically, this has included substantial support to Cubans, to people from the Islands and, more recently, to the Vietnamese. Often government support follows the church lead.

Another relatively unpublicized effort of the churches has been assistance to veterans returning from the Vietnam War as well as assistance to draft-age people, conscientious objectors, and young men who refused to fight and moved to Canada or elsewhere outside of the United States. In many instances, the churches have been able to respond more promptly and in a more flexible manner to such needs than have other segments of philanthropy.

Peace Activities

Another major area of church support has been peace and anti-military activity.[77] This subject matter has not been treated directly in this paper because its benefits inure to the society at large and not just "the powerless." However, it has special relevance to the latter group because minorities and the poor comprise such a large segment of the nation's military manpower and because the nation's heavy economic investment in the military has special impact on the poor.

Church funding was given to a variety of anti-war groups, many of which have disbanded as a result of changed international circumstances. Examples of church supported programs that have continued include Clergy and Laity Concerned, an organization that began as an anti-Vietnam/Cambodian War effort and more recently has shifted to more general military targets (for example, the group is currently working to kill the DOD investment in the B-1 Weapon's System); and the National Council of Church's Corporate Information Center. The latter is a broad-based church effort that analyzes church investment portfolio's with the intent of influencing investment policies to prevent ownership of companies with major military investments in favor of those whose activities conform with the international and other goals of the churches. The CIC's work has been supplemented by the efforts of individual churches to use their financial weight to influence foreign policy issues. For example, church groups have sought to reduce U.S. support for and involvement in the Union of South Africa because of its apartheid policies and in Rhodesia because of its treatment of its Black population. In some cases, church groups have participated directly in shareholder meetings as a means of articulating their concerns and influencing corporate policies.

The Corporations

From the point of view of the powerless, the philanthropic contributions of corporations are particularly difficult to assess. The basic problem is one of scale or of priorities. The primary impact of corporations on the powerless is not their grantmaking programs, but the basic role that they play in the American economy. Not only do corporations provide jobs and salaries to a great majority of the society, but they also furnish a broad variety of services, shape the physical, cultural, and even "spiritual" landscapes and environments of the cities where they are based, exert immense influence on the shape of the public sector at all levels of government through their political activities, and to a large extent determine the distribution of wealth in the society. In short, corporate activity is an integral part of many of the problems that the powerless are attempting to redress.

As the following discussion illustrates, a few corporations are beginning to grasp and to deal with at least some of these realities and to recognize them as substantially more significant vehicles for social reform than the traditional corporate contributions program.

Background

Some facts and figures. Since 1935 federal law has permitted corporations to make deductions for charitable purposes not to exceed 5 percent of their net income. Only a small handful of corporations have reached this maximum (examples: Dayton-Hudson Corp. and the Cummins Engine Corp.); the average for all corporations since

1958 has been around 1 percent of net income; in 1972 it was slightly below that figure. Corporations could donate more than five times what they are currently giving and still take advantage of the tax deduction.[78]

There are other reasons at least as compelling as the tax break for 5 percent giving. One corporate donations officer pointed to General Motors' low level of giving and commented that the company preferred to pass the money on to Washington than to spend it to rehabilitate Detroit. In his words, "GM's tax dollars were squandered (in part) by mismanaged FHA and other federal housing programs while housing in Detroit rotted." Another officer in a similar position stated that he would like to have for his grants program the same level of funding that the corporation had available to bribe foreign governments – an item that corporations have often deducted as a business expense and that has recently received widespread publicity.

In dollars, total corporate contributions ranged from $400 million in 1958 to over $1 billion in 1968 and 1969. Due in part to economic conditions annual contributions fell below $1 billion in 1970 and 1971, but they returned to their high of 1969 in the next three years. The total level of contributions, however, is not overly relevant to social action groups or the powerless because, for a variety of reasons, contributions to these groups appear to have increased substantially in the late 1960s and to have made small gains since that time.

As with other donor groups, before reviewing some of the excellent contributions that corporations have made to the powerless, it is necessary to point out that the segment of society that we have defined as "powerless" receives only a small percentage of corporate gifts. That percentage cannot be measured with exactitude because neither The Conference Board, the nonprofit organization that keeps track of corporate giving, nor individual corporations made such a breakdown of their gifts. A Conference Board survey shows that 42 percent of total corporate contributions in 1972 went for health and welfare agencies and that of this amount the United Way (UW) received more than half (to put it another way, the UW received 26 percent of *all* corporate contributions); the remaining funds for health and welfare went to hospitals and local health and welfare agencies.

The second largest recipient of corporate giving was education, accounting for 36 percent, the overwhelming majority of which went to higher education. Culture and the arts received 4.21 percent of the corporate philanthropic dollar, civic causes 9.33 percent, and "other" categories 7.28 percent.

Within each of these categories some funds do go to programs for the powerless (such as an art exhibit of Indian artifacts, a United Way-supported drug counseling service, or scholarship funds to enable minorities and the poor to attend college). Based on a number of interviews and extensive study of corporate grant lists, the total figure in each of these categories remains small.

Special mention should be made of United Way contributions because of their volume. The grantee groups feel that as long as the corporations rely on the United Way as their primary link to social causes, they will be tied into establishment institutions that provide some relief from poverty conditions but that do not allow the poor to achieve power or political participation on their own (the grantees also suggest that a number of the UW-supported groups should probably be abandoned altogether). In fact, as has been mentioned elsewhere, a Black United Fund has recently been created in several cities with foundation and church support to provide competition to the UW movement in supporting what the Black minority perceives to be its real needs. And, in the state of Massachusetts, the Haymarket Community Fund was recently launched to support grass-roots organizations in the New England area. In its words, "Unlike the existing United Ways, the Haymarket Community Fund will be committed to change, not charity."

The corporations, on the other hand, view the UW as a useful mechanism. It serves as a broker, identifying grantees in the community and handling the internecine battles that occur between them from time to time. The corporations are insulated from having to make specific grantee selections and at the same time have an efficient mechanism for collecting and distributing charitable contributions. Significant efforts have been made in recent years to make the UW more relevant, but there is no question that for the most part it does not reach the kinds of programs and groups discussed in this paper. Rather than attacking the UW, a more promising approach appears to be the creation of new kinds of brokers for corporate donors that will reach more diverse groups concerned with fundamental change. A Youth Project for corporations might be such a model – as, of course, is The Black United Fund.

Recent developments. Immediately prior to 1967, corporate contributions hovered just below the $1 billion level and focused on colleges, hospitals, and United Way-supported programs. The UW had in many ways become rigid and maintained an established list of grantees to which it was difficult either to add or subtract. The launching of the federal War on Poverty in 1965 had some impact on corporate consciousness, but it was not until the riots of 1967 shattered major American cities and the federal government reacted with expanded pledges to the poor that the corporations began to change their approach to giving and to social action. The basic reason for the change was political leadership – a direct appeal and direct pressure from the President of the United States urging the business community to become involved in solving the urban crisis ("Johnson really leaned on them," as one observer put it).

One of the best examples of federal pressure on the business community was the creation of the National Alliance of Businessmen Program under Title I (b) of the Economic Opportunity Act. Under this law, passed in 1967, a joint federal-private partnership was established to create jobs for the disadvantaged. Federal funds were made available for outreach, training, and related support; corporations were to both administer the program and make the jobs available for participants. Henry Ford II served as one of the initial chairmen of the venture. He was joined by a committee of top-level corporate leaders who achieved high visibility. The personal exposure of the president or chairman of the board created the impression to the powerless community that the entire corporation was committed to the venture and that corporate power was being addressed to their needs.

This general impression of substantial business commitment to solving the problems of at least the urban poor was further advanced by the creation of The National Urban Coalition. In the fall of 1967, after the riots, leading mayors, businessmen, union leaders, and civil rights leaders joined together in Washington, D.C., to pledge their resources to fight poverty and racism. Their much-publicized gathering underscored the private-public cooperation that NAB had heralded, but this time political leadership was provided at the city level. Again, major business figures were involved, and there was a sense of excitement and movement.

The extensive exposure given both of these ventures and their central figures produced a flood of proposals and funding applications to corporations from poverty and minority groups. This was the first time that corporations were viewed as a source of direct support. At the time, corporate involvement was top heavy; there were no middlemen and no offices of public or urban affairs. To handle the requests from outside, special units for social action were created in rapid succession and often without a clear definition of their mission. Corporate leadership did not pursue its usual procedures of defining the goals of such offices, establishing timetables for their achievement, or measuring actual performance. This was a dereliction that has continued to plague much corporate activity in this area, even after the completion of the initial experimental period.

For the next three to four years, as is explored in more detail below, there was a flowering of corporate "social reform" activity. Minority loan and investment programs were launched; low- and moderate-income housing projects were supported; funds were deposited in minority banks; special job training and recruitment programs were launched; the public schools were given equipment and personnel to run vocational education programs; planners, economists, and engineers were volunteered to assess the operation of and to reorganize public agencies such as the police department or the welfare system; civic projects (such as arts centers) were launched down-town, and a new group of grantees appeared on the corporate contributions list that included the NAACP Legal Defense Fund, local community development organizations, and others.

In addition to increasing their involvement in social service projects, many corporations were influenced by the criticisms and themes launched by Ralph Nader and by some of his corporate responsibility progeny. Nader urged each major corporation to make a total assessment of its impact on its community and on the nation as a whole, through an annual "social audit."[79] Such audits, according to Nader, should be given the same importance as the company's fiscal audit and should be relied upon as a serious benchmark for assessing performance. A number of corporations have adopted such procedures, although the majority have viewed the social audit as a one-shot operation, if that.

The returns on the initial corporate social activism are mixed. There has been a definite improvement over previous practices, but it is still viewed as experimental rather than as accepted practice. Enthusiasm and commitment have decreased in recent years, and corporate leadership has moved on from the urban crisis (and with it many of the concerns of the poor and powerless) to other issues. The reasons for the change are several. In the first place, the national political leadership is no longer pressing for corporate assistance in meeting urban and poverty problems; the short-lived partnership addressed to social ills has dissolved. The business community responded to the political pressure, and when that was gone their enthusiasm wilted. (As one critic stated, "You don't need to encourage corporations to think small in this area.") The administration's emphasis on decentralization, revenue sharing, and the "new federalism" discouraged national-level activities and coordination, returning the corporate focus to the local plant level.[80]

In addition, corporate activities have been subject to criticism which has made them reluctant to continue, at least in a visible fashion. Not only have corporations been criticized for the inadequacies of their efforts in NAB and other social programs, but they have also been attacked for polluting both the environment and the political process, the latter through their illegal campaign contributions and related activities. The corporations have also been deterred by the "white backlash" against special assistance to minorities and against overblown rhetoric and deliberate confrontation tactics relied upon by some poverty and minority groups. Many corporations have been turned off by what they feel to be the Black's denial of personal responsibility and placement of all blame for crime, drug addiction, and other anti-social behavior on "the system." And, in a substantial fashion, corporations have been affected by the downturn in the economy that has required them to focus their attention on making a profit and cutting back on non-profit-making activities.

Besides these problems, initial corporate activity suffered from a lack of knowledge and understanding both on the corporate side as to what the real characteristics of the powerless were and the nature of their problems and on the side of would-be grantees who failed to grasp the limits of corporate style and corporate capabilities. In recent years, both sides have acquired increased understanding but it remains to be seen whether the majority of corporations will ever apply the same standards and energy to their social responsibilities as to their profit-making activities (prorated to scale, of course).

One individual who has been active in both corporate money-making and corporate social-reform activities commented that for the most part, in the latter type of endeavors, corporate leaders have not developed a program, evaluated it scrupulously, dropped aspects of it that have failed and built upon those that have succeeded in the same manner that they would in regard to their business ventures. Instead, there have been a series of single-effort projects that have been tried and dropped or else continued without modification.[81] According to the same commentator, part of the problem may be that corporate contributors look to the programmatic value of a potential program grantee as only one of three factors. The other two important criteria appear to be whether the proposed grant could create any public relations or political problems that might adversely affect the corporation and whether there is sufficient peer group support, that is, have other corporations given or will they give to the same project (the "what is everyone else wearing" syndrome).

Examples of Corporate Philanthropy

Giving resources. There is an extraordinary variety of corporate involvement in poverty and social programs. It includes bank loans and other financial assistance to community development corporations; corporate investments in minority-owned companies (or commitments to purchase supplies from such companies); high-risk loans to individuals from poverty communities; the $2 billion urban investment fund created by the life insurance industry; executive loan programs which make company executives available to community organizations, Black colleges, and other institutions that aid the powerless; and the pooling of corporate and federal resources to create low- and moderate-income housing projects.

Some corporations have engaged in a number of activities. Aetna Life and Casualty, for example, has lobbied for no-fault automobile insurance and for a reformed national pension system, has created a high-risk loan program for low- and moderate-income people in Hartford, has established a $1.5 million line of credit with a consortium of 11 minority-owned banks, and has made contributions to groups such as the NOW Legal Defense Fund, the NAACP Legal Defense Fund, and the Lawyers' Committee for Civil Rights Under Law. IBM, for its part, has opened a plant in Bedford-Stuyvesant, has initiated a program for buying supplies, products, and services from minority entrepreneurs, has contributed financial support and equipment to the Opportunities Industrialization Center (OIC) and has hired OIC graduates, has set up a "Black College Faculty Loan Program" making available 18 scientists, engineers, and others to teach on paid leaves at Black colleges in the South, runs a data processing training center with the Urban Leaque in Los Angeles, gave financial and personnel support to one of the New York Urban League's Street Academies, and has undertaken a variety of other commitments.

The Dayton-Hudson Corporation, headquartered in Minneapolis, is one corporation that gives away the full 5 percent of its net earnings; in 1973 this represented roughly $2 million, distributed principally in 8 states. Although the Dayton-Hudson program is probably no more supportive of "the powerless" than some of the other leading corporate programs, it embodies a number of concepts that are good models for other corporate giving programs.

A basic element of the Dayton-Hudson program is 5 percent giving.[82] Not only has the corporation committed itself to this level of giving, but it has also waged a campaign throughout the state of Minnesota to persuade other corporations to do likewise. A utility company, two newspapers, a construction company, a stock brokerage firm, and others have already been convinced of the advantages of contributing locally instead of sending the funds as taxes to the federal government.

A second principle is that the funds should be distributed where they were earned by the corporation. This means that Dayton-Hudson prorates its contributions according to the sales and profits from its retail operations in eight states: Minnesota and North Dakota, Michigan and Ohio, Arizona, Oregon, Oklahoma, and Massachusetts.

The two major programmatic thrusts of the Dayton-Hudson giving program are youth and the arts. The latter was chosen because it has "so much to do with the spirit, confidence and morale of a community" and because strong cultural institutions are a feature of all great cities. The former priority was established because youth "are the future of the society." Before selecting grantees within each of these priorities, Dayton-Hudson does a profile of the local community, making a score card for each area of popular concern: justice, recreation, education, and so forth. Funding is focused on the areas of greatest need. Occasionally, this process takes the company into additional areas, such as its organization of the Greater Minneapolis Housing Corporation. This involved the pooling of $1 million from the top 10 industries which has leveraged into $35 million in new low-income housing over the past few years. One aspect of the program is the first Indian-run housing project in the nation.

In the area of youth programs, the twin-cities-based Center for Community Action is typical of Dayton-Hudson supported programs.[83] It brings together the heads of major area industries, college officials, young people including high school graduates in the labor force, college students, and others. Joint programming and planning is undertaken with the youth deciding what programs shall be funded. Advice and technical assistance as well as broad community support is provided by the business leaders. The center has run a variety of programs, including federally funded job programs and construction programs to build parks along the Mississippi.

Social responsibility in all corporate activity. One of the most outstanding corporate programs is that of the Cummins Engine Corporation. That company has developed a program that affects its internal operations and its role in the local community (Columbus, Indiana) and that also has a national grant-making dimension administered through the Cummins Engine Foundation with its regionally based grant officers.

The corporation states its position as follows:

> We essentially agree with those who argue that the corporate charter is a social as well as a legal contract, which makes each corporation a trustee of the public good. How well it fulfills that responsibility is dependent not simply on social projects in the public sector but on how it chooses to use its total resources in the conduct of regular business. Institutionalizing corporate responsibility as a total process must begin with an effort to define and bring into some sort of balance the responsibility to all who have a stake in the company's operation. These *stakeholders* include employees, customers, creditors, distributors, suppliers, governments, the communities in which the company does business, specialized publics and shareholders. The responsibility to these stakeholders (sometimes competing claims) should be considered in all decisions about expansion, acquisition, investments, new plant locations, new markets, etc.

Cummins has recognized that its business decisions – far more than its charitable contributions – can make the difference between the life and death of a community. It has established a high-level Corporate Action Division to continually assess corporate performance in each of the subject areas listed above and to recommend changes directly to corporate leadership where high standards of responsibility have not been met. The division has had a discernible impact on board composition, employment practices, resource allocation, investments, and many other facets of company performance.

Locally, in Columbus, Indiana, the corporation has greatly exceeded traditional models of corporate civic support. The Cummins architectural support program has resulted in 20 local buildings designed by architects receiving its support. The local landscape has been visually transformed, fulfilling the corporation's original pledge that "each of the best of today's architects can contribute something of lasting value to Columbus."[84]

In the 1970s the Cummins Engine Corporation revised its corporate giving program to include not just the best of traditional charities but also "people giving." This meant the identification and support of projects "closer to the cutting edge of new movements for change." The company foundation set up a system of minority field representatives who operate both as program officers in the field and as project operators. The emphasis in giving in the last three years has been on the powerless, particularly on programs of minority/community development and education. A review of foundation grant lists shows that many powerless groups, including some of the examples cited in this paper, have been recipients of the foundation's grants. In a short period of time, the foundation has assumed a key position among "activist" donors and has earned the respect of the donee community.

According to the foundation's executive director, "the emphasis in the next ten years will focus more directly on economic justice, combining the experience of

Cummins Engine Company in the private sector with the expertise of the Foundation and its program officers in the public sector."

Corporate assistance to the powerless, although still insubstantial for the majority of major corporations, has changed greatly in the past decade. The initial superficial enthusiasm of top corporate executives of the late 1960s has in a number of instances translated into deep involvement. To date this involvement has centered mostly on contributions of time, money, and resources. Theodore J. Gordon, president of the Futures Group, has suggested that this is only the first phase:

> Such examples are the forerunners of more massive and organized business efforts in the next ten years, efforts directed to improving health and education, rebuilding our cities, replacing outmoded transportation, controlling inflation, providing food, ensuring peace, curing pollution and improving the quality of life for all people.

Gordon may be overly optimistic, but already a handful of corporations have moved beyond this stage, trying to infuse their social responsibility goals into all the operations of the corporation from internal management, to local community activity, to national lobbying and assistance. One or two corporations have gone still farther to begin long-range planning that looks at the future economic structure of the society (beyond a profit and loss picture) and to the corporation's role in that structure. The latter is the result more of individual than corporate interest, because corporations tend to lack the talent or capacity for long-range planning (except product development) and depend on government for the lead in basic economic planning and policy questions.

Corporations need assistance (other than self-congratulatory listings of contributions) in reaching a broader range of eligible grantees – particularly among the powerless. They need to obtain intelligence on and understanding of some of the basic problems with which these groups are dealing (from a Youth Project-type conduit or an alternate United Way-type mechanism that brokers a broader range of grantees); they need more direct contact with the movements evolving around the country for economic justice and against corporate abuses (a coalition could conceivably evolve to push for a guaranteed basic level of subsistence as well as for reduced and more rational federal interference in regard to a range of social and economic problems);[85] they need education and assistance in exploring models like the Cummins Engine approach to overall corporate responsibility; and, finally, those corporate leaders with the interest and the skills need to focus on the future economic structure of the country.

The Filer Commission could make a significant contribution by providing or insuring the creation of mechanisms designed to meet each of these needs. Consideration should also be given to more serious exploration of the ways that the public sector can stimulate and encourage greater corporate activity designed to build a better social order. The abandoned Johnsonian experiments were a small step in the right direction, but by and large the entire question (including a review of experiences in other countries) of public/private cooperation has been largely ignored.

VI

THE YOUTH PROJECT: A MECHANISM TO ASSIST DONORS IN REACHING POWERLESS AND SOCIAL ACTIVIST GROUPS

During the 1960s with the growth of the peace movement and the discovery of young people as a powerless group in the society, a number of the more activist foundations became interested in funding projects administered by and/or addressed to the needs of young people. A number of foundations gave grants for service and organizing projects to young organizers across the country. Although youth as a funding category lost much of its vogue when the campuses became more quiescent, some of the initiatives started in the late 1960s have continued. One of the more successful of these has been the Washington-based Youth Project which is discussed below not only as an effort to deal with young people as a distinct segment of the society but also as an organizational prototype that should be considered by philanthropic donors in their dealings with other less-establishment groups.

The basic purpose of The Youth Project is to assist young people working with social action projects at the community level. The projects themselves cover a wide range of subjects: research of the Philadelphia public transportation system to develop a case for providing the elderly free or greatly reduced public transportation; assistance to the Navajo nation in assessing the desirability of a coal gasification contract with a major corporation and designing an alternative tribal-controlled resource development program; funding for the *Miners' Voice*, a publication that presented viewpoints and information to counter the Boyle-controlled journal of the United Mine Workers during the recent effort to reform the UMW; assistance to the Save Our Cumberland Mountains project in Appalachia, a group that successfully promoted the passage in the Tennessee legislature of a bill that will tax coal lands for their mineral wealth rather than for the surface value of the land; funding of data collection and advocacy on municipal service inequities in the Mississippi Delta that resulted in corrective actions by the local government without the filing of litigation; aid to the Black United Fund in organizing a community fund-raising effort to counter perceived inadequacies in the United Way; and many others.

In many instances, the assistance of The Youth Project has been central to the development of a new community organization or to the launching of a new project by an existing organization; sometimes the assistance has simply made it possible for a local organization to add to its staff a young person (under 30) who can play an advocacy role through investigative journalism, organizing activity, legal assistance, or other support.

The unique features of The Youth Project are the extraordinary national outreach capabilities of its 11 staff members located in the national office (which also serves as an East Coast regional office), and two other regional offices in Atlanta and San Francisco; its low-profile board of directors made up of young people who have been successful organizers (rather than famous-name attorneys, businessmen, or civic leaders); its diligent efforts to provide ongoing technical assistance to projects to enable them to become self-sufficient in as short a time as possible; and its increasingly effective service as a resource to foundations and other grantors to assist them in evaluating effective community-based applicants. In regard to the latter, the Project's outreach extends well beyond the 143 projects it has funded since its inception in 1970 to a host of other projects or organizations that have received independent grants on the recommendation of project staff and board members.

For example, in 1975 the Project's own budget for staff operations, technical assistance, and direct grants will reach roughly $395,000; in addition it will be able to claim responsibility in substantial part for more than $360,000 in grants to projects that it has recommended.[86] The Project describes its dual role in this fashion:

> The Youth Project delivers modest seed funding ($2-10,000 grants) and substantial technical assistance to budding organizations staffed by young persons. In doing so, the Project also provides a unique and highly valuable evaluative or

> screening service to foundations. Thus, The Youth Project has become an essential bridge.

Major contributors to The Youth Project include the Carnegie Corporation, the Field Foundation, the Irwin-Sweeney-Miller Foundation, DJB Foundation, and the Lilly Endowment. Additional contributors, as listed in the 1974 annual report, include Abelard Foundation, Akbar Fund, Arca Foundation, Cambium Fund, Campaign for Human Development (Catholic Church), Center for Community Change, Community Funds, Inc., Cummins Engine Foundation, Joint Foundation Support, Laras Philanthropic Fund (now defunct), J.M. Kaplan Fund, NAACP Legal Defense and Education Fund, New World Foundation, New York Community Trust, New York Foundation, Norman Foundation, Northern California Ecumenical Council, Organize, Inc., Seed Fund, and a number of individuals.

The Project delivers technical assistance by structuring its grants as consulting contracts. Project staff assist in the organizational stages of a project; assist grantees in making connections with other groups with similar goals or with relevant expertise; provide counseling on fund raising, financial management, and legal matters; and, where appropriate, provide entry to private and public sources of support. In some cases, the Project pays directly for the services of attorneys or experts hired to assist grantees.

As part of its management development program for grantees, the Project requires monthly reports that reflect fiscal as well as program management. Grants are made on a three-month basis, and after that period has elapsed Project staff review the grantee to determine if it merits further funding. Overall, the Project encourages self-sufficiency and diversified funding. Most grantees are encouraged to rely on membership donations both as a source of stable financial support and as an organizing tool. Unlike most grantors (and almost all foundations) the Project's commitment to its grantees in terms of technical and programmatic assistance continues after the funding relationship has terminated. It is part and parcel of the Project's philosophy to make a long-range commitment to those whose programs it has helped develop.

Although The Youth Project originally saw its mission as a temporary one, opening the foundations to reform by redirecting them to community groups not traditionally funded that involved young people in their activities, it has given up on that goal and now views itself as a long-term broker between such groups and the philanthropic world. The respect with which many foundations view its work and the extent to which they have relied on the Project's judgment in making grant decisions suggest that such a role is much needed and will continue for some time.

The Project pitches its unique contribution in this manner:

> It is illusory to assume that foundation staff members can be Rennaisance men or women; they cannot be expected to deal with all questions and all types of persons with equal facility. That The Youth Project is needed to serve a quasi-staff evaluative role for foundations does not demonstrate that foundation staffs are incompetent. Rather, it demonstrates that foundations are growing in the realization that persons and strategies which lie outside their staff's primary consciousness must be supported as part of a realistic and viable approach to bringing about positive social change. The true incompetence is when foundation staffs assume either (a) that anything which they cannot do well is not worth doing, or (b) that different approaches to solving problems are to be rejected simply because they are different.
>
> Foundations staff limitations in dealing with young community organizers are not simply conceptual. There are real and substantial logistical and time demands posed by thse types of projects. They are located throughout the country, many in small towns in remote areas. Small foundation staffs cannot be expected to spread themselves over the landscape or to devote the amount of support time individual projects need to become structurally and technically sound. In fact, the technical assistance aspect of The Youth Project's operations

is a service which foundations rightly perceive as outside their competence; yet it is of vital importance to inchoate young organizations.

Foundations rarely make small grants to unproven projects. Even small foundations – which have the greatest staff limitations – do not generally make very small seed grants to unknown and unproven projects. This makes sense from the foundations' perspective – no foundation has enough money to run the enormous risks which would flow from shooting in the dark. However, such risks are nowhere as great when taken by The Youth Project; The Project's expertise and outreach enable it to make reasoned and reliable evaluative decisions.

The Youth Project has succeeded in developing a delicate balance, whereby both the foundations and its grantees view it as an effective, helpful agent. By serving as an objective advocate for grantees, it has avoided being labeled as a "favorite" of foundations or simply a means by which foundations avoid decisions among competing applicants. It has not tried to corner any market or to assume a veto role. This is particularly important because "turf problems" abound among the do-good community. (Groups have been known to blackball or bad mouth other groups with mandates similar to theirs in an effort to eliminate the competition.)

The Project's grants are small and many of the recipients need the funds for one-shot campaigns. This means that this particular conduit might not be appropriate for the large-scale grants that The Ford Foundation or a major business corporation can give. These donors might consider such small levels of aid a drop in the bucket that does little to address systematically the underlying social problems. However, even for these donors the Project presents a useful concept.[87] Similar mechanisms addressed to different types of grantees and perhaps brokering larger grants are needed to reduce the isolation and relative insularity of many segments of the philanthropic world.

Along these lines, Raul Yzaguirre, national director of the National Council of La Raza, has proposed a " 'risk pooling' arrangement whereby all philanthropic entities contribute (or are required to contribute) a percentage of their funds for high-risk projects." Merely making the money available will not be enough. The grantors should not simply give the money and abandon the scene, but should take the additional steps necessary to see that the grantee becomes an effective organization.[88]

VII

RECOMMENDATIONS

The most obvious recommendation to each of the major sectors of philanthropic giving considered in this report – foundations, churches, and corporations – is "live up to your own mythology." More resources would be available to the powerless and greater gains would presumably have been achieved on their part if foundations were in fact innovative, flexible institutions willing to identify and assume new challenges as the society evolves; if churches were fully committed to implementing their creeds and living their beliefs concerning the "down-trodden"; and if corporations were applying their problem analysis and problem-solving abilities to socially beneficial goals that reached beyond the provision of jobs, goods, and services.

The myths, of course, will never be fully realized. As this paper has shown, some promising steps have been taken in recent years to move closer to them. But the steps have been small (when compared to available resources) and tentative. Presumably, it will be the ongoing responsibility of whatever new public-private entity evolves from the work of the Filer Commission to enable the philanthropic world to move more rapidly in this direction.

At the least, the following steps should be considered:[89]

- Those donors that have a commonality of interest, such as the "activist" foundations, the corporate social action divisions, and the special funds of the churches, need to work more closely together in defining public needs and in planning to meet them.[90] Such communication can enhance program effectiveness without producing uniformity or curtailing diversity.
- To assist the definitional effort, either a new or existing entity needs to provide underlying data: reports on the extent to which the government (state as well as federal) is assuming the costs of certain areas (such as the arts or higher education) – or is likely to do so; more detailed reports than currently exist, with breakdowns of relevance to the powerless, showing where money is actually going and how this compares with requests (and with need as measured by more objective social indicators);[91] and reports discussing the strategies or types of grantees and programs that appear to have been most successful in achieving social changes.
- Planning and definitional efforts need to be open to the influx of a broad range of points of view, including those of the grantee community. Philanthropoids need more exposure to the people who are living the problems and trying to deal with them and less exposure to academics and management consultants.
- The structural limitations of philanthropoids that inhibit their democratization or prevent them from being flexible should be examined seriously to consider such things as statutorily limited life spans for foundations and special funds; limited service periods for board members; application of Title VII (equal employment opportunity) to foundation, corporate, and church givers; restrictions on the size (in terms of assets) of foundations; and mandatory open proceedings.
- Donors need to engage in more vigorous self-analysis and self-evaluation. At present donors fail to do this either individually or through their "trade associations." Outside (or other objective) evaluators should measure both individual program and overall institutional performance against stated goals and against public needs. (Almost all donors examined in this paper evaluate their programs in some fashion; with one or two exceptions there is no overall evaluation of institutional performance).[92]
- With the exception of some church giving, and a few of the smaller foundations, most donors are not set up in a manner that facilitates contact with populist or community groups working to improve local issues, even though the work of these frequently produces more lasting impact than that of national organizations. Similarly, "controversial" national programs or campaigns are avoided. As recommended in the previous chapter, additional brokers (or risk funds) such as The Youth Project should be established to help corporate and foundation givers make contacts with these groups.
- In addition to such brokers, tax incentives, write-offs, or other stimuli need to be provided to enable and encourage the average person to support local social action groups that are addressing his needs.
- Finally, and perhaps most importantly, philanthropic donors concerned with the problems of social inequity and powerlessness have got to get more involved with the political process and with governmental, especially legislative, institutions. They must also face the economic structure of the nation head on and help to bring about a more equitable distribution of wealth and a greater assumption of responsibility on the part of the corporate community for its broad impact on the society. If the city councils, town meetings, state assemblies, and the Congress don't produce sound social policy and if the corporations in an unthinking fashion foster an economy that cuts large segments of the population "out" while polluting the environment and otherwise interfering with the full enjoyment of life by other segments, then, as one grantee put it, "all the community projects, service centers and public interest law firms will have about the same effect as pissing up a waterfall."

Appendix

List of the "Activist" Foundations

Abelard Foundation, Inc., The
818 Cherry Street
Santa Rosa, California 95402

Akbar Fund, Inc., The
11 East Wacker Drive
Chicago, Illinois 60604

Arca Foundation, The
941 Park Avenue
New York, New York 10028

Carnegie Corporation of New York
437 Madison Avenue
New York, New York 10022

Clark (Edna McConnell) Fund
250 Park Avenue, Suite 900
New York, New York 10017

Cummins Engine Foundation
1000 Wisconsin Avenue
Washington, D.C. 20007

DJB Foundation
P.O. Box 657
Scarsdale, New York 10583

Donner (William H.) Foundation
630 Fifth Avenue
New York, New York 10020

Field Foundation, Inc., The
100 East 85th Street
New York, New York 10028

Ford Foundation, The
320 East 43rd Street
New York, New York 10017

Haymarket Foundation
2 Holyoke Street
Cambridge, Massachusetts 02138

Hazen (The Edward W.) Foundation, Inc.
400 Prospect Street
New Haven, Connecticut 06511

Irwin-Sweeney-Miller Foundation
522 Franklin Street
Columbus, Indiana 47201

Joint Foundation Support
1 East 53rd Street
New York, New York 10022

Kaplan (The J.M.) Fund, Inc.
2 East 34th Street, 6th Floor
New York, New York 10016

Kellogg (W.K.) Foundation
400 North Avenue
Battle Creek, Michigan 49016

Lilly Endowment, Inc.
2801 North Meridian Street
Indianapolis, Indiana 46208

New World Coalition
419 Boylston Street, Room 2009
Boston, Massachusetts 02116

New York Foundation
4 West 58th Street
New York, New York 10019

Norman Foundation, Inc.
140 Broadway
New York, New York 10005

Ottinger Foundation, Inc., The
420 Lexington Avenue, Room 1740
New York, New York 10017

Peoples Fund
1427 Walnut Street
Philadelphia, Pennsylvania 19103

Phelps-Stokes Fund
10 East 87th Street
New York, New York 10028

Playboy Foundation
919 North Michigan Avenue
Chicago, Illinois 60611

Rockefeller Brothers Fund
Room 5600, 30 Rockefeller Plaza
New York, New York 10020

Rosenberg Foundation
210 Post Street
San Francisco, California 94108

Sachem Fund
405 Orange Street
New Haven, Connecticut 06510

San Francisco Foundation, The
425 California Street
San Francisco, California 94104

Seed Fund
San Francisco, California

Shalan Foundation
500 Avenue of the Americas
New York, New York 10011

Southern Education Foundation, Inc.
811 Cypress Street, N.E.
Atlanta, Georgia 30308

Spencer Foundation, The
875 North Michigan Avenue
Chicago, Illinois 60611

Stern Family Fund
21 East 40th Street
New York, New York 10016

Taconic Foundation, Inc.
745 Fifth Avenue
New York, New York 10022

Third World Fund
540 Powell Street
San Francisco, California 94108

Twenty-First Century Fund
112 West 120 Street
New York, New York 10027

van Ameringen Foundation, Inc.
509 Madison Avenue
New York, New York 10020

Vanguard
3665 Sacramento Street
San Francisco, California 94118

Whitney (John Hay) Foundation
111 West 50th Street
New York, New York 10020

Wieboldt Foundation
11 South La Salle Street
Chicago, Illinois 60603

Footnotes

1. A questionnaire was sent to 25 corporations, but a number of the[illegible]jected to its scope and it was subsequently withdrawn by the commission.

2. In addition to the difficulty of measuring the exact purpose and levels of grants, there is a definitional problem of how to segregate those grants that help the powerless. Many foundations consider all of their grants for improved social services or for upgrading the performance of government to be grants that ultimately serve the powerless. A grant to a Black college, for example, or a grant to add a community services component to a medical school curriculum is viewed in such a light. This position may be valid; however, for the purposes of this paper, we have looked for a nexus between the powerless and both the funding (either they or their spokesmen receive it) and the end result (that is, the benefit to the powerless group can be identified as distinct from any overall benefit to society). Only the section on government reform adopts a broader perspective.

3. In recent years, this has sometimes taken the form of favoring confrontation over compromise. A Chicano leader complained of this tendency as did a leading businessman. The latter stated: "They're (foundations) not trying to help people set things right -- they act like critical editors, ripping good ideas apart, instead of like account executives helping do-gooders and activists put things together. They never act like we're all in this thing together."

4. DJB states: "We decided to concentrate on those groups and programs generally ignored by conventional foundations because they were 'controversial.'" Haymarket supports groups "working to change the relations and distribution of power, as opposed to those treating only the manifestations of this unequal distribution of power"; the People's Fund supports groups working for "radical change," and the Third World Fund supports projects addressed to institutional change which "offer a base for organizing minority people toward correcting social imbalance."

5. A thoughtful grantee who has had experience with both government and private programs seeking to help the powerless commented on the Tax Reform Act: "That Act is in need of substantial revision. It has had the perverse effect of channeling a great deal of foundation-sponsored public policy activity into litigation and related legal initiatives *without* accompanying activity to build the public support through legislative activity that is often needed to sustain the legal initiatives. Courts are not prepared usually to move far beyond the popular will as perceived through the actions of the legislatures. And where they do, their decisions may encounter far more resistance and stir more conflict than would result if there were better public understanding of the issues which could best be achieved through activities usually labeled lobbying. Examples abound of public policy areas where this is a problem: the generally unsuccessful litigation challenging restrictive land use practices as a means for securing housing opportunities is a prime illustration."

6. The John Hay Whitney Foundation and the Stern Fund are currently supporting a major study of economic alternative being conducted at Harvard University by Gar Alperovitiz and Jeff Faux. The results of that study, costing roughly $500,000, will be available in late 1975 or early 1976.

7. Many other kinds of philanthropically supported programs such as scholarship assistance, urban renewal, and — less directly — anti-war grants also benefit the poor, but these less direct forms of aid are not the subject of this paper.

8. Some attention has been given to ways to better distribute public funds and/or public services. As indicated on pp. 1137-1138, The Ford Foundation and others have supported programs to equalize public school funds, pressuring the states to increase their support for property-poor school districts. Similarly, in early 1975, Ford joined with Trinity Parish to establish a litigation program in Washington, D.C., that seeks to equalize the delivery of public services among local communities and neighborhoods.

9. These two examples were selected in part because of the demonstrable results they produced and in part because they were national programs and information on their operations was more readily available than on the multiplicity of locally based, often equally successful programs.

10. It should be noted that many of the grantees surveyed or interviewed in the preparation of this report stated that guaranteed survival, "40 acres and a mule," or a guaranteed level of minimal subsistence was the major domestic issue facing the nation over the next decade.

11. NWRO evolved out of a prior poverty organization, the Poverty Rights Action Center.

12. In conjunction with the University of Pennsylvania's Health Law Project and the UCLA's OEO back-up center for health issues, NWRO was also instrumental in shaping the early phase of the Medicaid program. The organization applied pressure on HEW to issue acceptable regulations to control the program, worked at the state level for adequate state enabling legislation, brought lawsuits to determine eligibility and to prevent improper rollbacks in funding, and engaged in a variety of other battles to improve the coverage of the program. Many of these efforts were successful; however, most ended up being holding operations to prevent HEW under Nixon from greatly reducing the medical program and preventing the states from following suit.

13. The Welfare Law Center based at Columbia University in New York City served as legal counsel to NWRO in those sessions (see pp. 1118-19.) These attorneys became sufficiently expert in the nuances of welfare law to be able to influence technical changes in the administration of the program and to identify administrative initiatives that were harmful to beneficiaries, thereby paving the way for protest campaigns.

14. Alfred P. Sloan, the Cummins Engine Foundations, the Irwin-Sweeney-Miller Foundation, the Kaplan Fund, and the New York Foundation were also contributors. A number of community foundations contributed to local welfare rights groups.

15. *Dandridge* marked a turning point in the area of equal protection and welfare legislation and has been followed in subsequent cases. *Jefferson v. Hackney*, 406 U.S. 535 (1972); see *San Antonio School District v. Rodriguez*, 411 U.S. 1 (1973) (education is not a fundamental interest). While some commentators urge that more recent decisions suggest the New Court is abandoning its hard-and-fast position in this area, the opportunity to realize fully a right to a minimal subsistence level appears to be past.

16. On experienced observer of poverty groups commented that foundations never give grants to the poor or powerless themselves but only to middlemen, especially attorneys. He pointed to "Operation Nevada" where NWRO launched a major campaign to prevent the disruption and reduction of that state's welfare program. Foundations were reluctant to support the organizing effort (which was the key part of the program) because of its political overtones but were willing to make grants to the legal support staff.

17. The legal-technical analysis work of the Columbia Welfare Law Center, begun in response to requests from NWRO and local welfare groups, continues today. Because of the demise of OEO, funding for the center may in the future be assumed by a consortium of foundations.

18. Wiley reasoned that only 5 percent of the population are welfare recipients and "minority movements can only succeed if the majority is either sympathetic or passive." But in recent years, hostility toward welfare recipients and other minorities has increased. Wiley concluded that "only a broad-based movement aimed at the economic interests of the majority of Americans will ever succeed in bringing about the change we desire."

19. The board's mandate was to conduct an objective inquiry into "(1) the scope of starvation and hunger in selected poverty areas throughout the country; (2) the extent of nutritional knowledge at medical schools, among medical practitioners, and within the United States Public Health Service; (3) the extent and quality of public and private programs now under way to meet this need; (4) immediate strategy recommendations to deal with the problem; and (5) long-range recommendations to attack the basic causes of the problem."

20. Additional support for the Citizens' Board or for the council was provided by the following: J.M. Kaplan Fund, the New York Foundation, the Board of Missions of the United Presbyterian Church, the Taconic Foundation, the Whitney Foundation, and the van Ameringen Foundation.

21. In 1969 the Field Foundation sent doctors to Beaufort and Jasper counties in South Carolina to examine children for malnutrition and parasitic infection. Their report of the babaric conditions existing in the counties led to a personal visit by Sen. Ernest Hollings who publicly admitted the problem. The Agriculture Department subsequently announced free food stamps

for Beaufort and Jasper for those with no income, but the project had a limited life span and was not extended to other areas of the country. Similarly, despite an immediate public outcry, there was no serious effort to correct the problem of hookworm.

22. The center's mandate is "to monitor the administration of Federal food programs and to initiate legislation to change the policies of those programs which discriminate against poor people." It is funded by the Rockefeller Brothers Fund, among others.

23. As of July 1975, the food stamp benefits per year for a family of 4 with no income will reach $1,944 per year. This is $344 more than the total assistance offered to the same family by the Family Assistance Plan (FAP) proposed as part of Nixon's welfare-reform package of 1972.

24. For excellent discussions of the field see *Minority Enterprise and Expanded Ownership: Blueprint for the '70's*, a report of the National Advisory Council of Minority Business Enterprise, and "Public and Private Support for the Development of Minority and Poverty Group-Owned Businesses," a Ford Foundation study issued in January 1975.

25. For information on this subject, see *Business and the Development of Ghetto Enterprise*, published by the Conference Board in 1971.

26. With the exception of the programs run by the banks, many of these ventures have resulted in losses or foreclosures.

27. The Ford Foundation is the major contributor to CAF; other contributors include Field, New York, New World, Norman, Ellis L. Phillips, and Taconic Foundations and the Sachem Fund.

28. The Ford Foundation report cited in note 24, supra, states: "The cumulative efforts of the past ten years have produced the beginning of the stratification of minority business and the mechanisms to serve and assist each level. Today, such enterprises are no longer largely "mom and pop" enterprises; businesses of substance and scale now exist." (p. 79).

29. National and local Chicano organizations have provided help in securing increased federal expenditures by publicizing issues, serving in advocacy roles, and providing testimony in Congress. Included in such efforts are the National Council of LaRaza,* Raza Association of Spanish Surnamed Americans (now El Congreso), League of United Latin American Citizens (LULAC), G.I. Forum,* Jobs for Progress, Operation SER, and Latin American Manufacturers Association. (Asterisks indicate those that receive foundation assistance.)

30. A portion of the Ford Foundation's school finance grants discussed below has gone to organize Chicano parents and leaders in Texas (under the direction of Jose Cardenas) to press for statewide school finance reform that will benefit Chicano children. This effort has been so successful that the Governor of Texas has designated school finance reform his number one priority.

31. Crystal City, Texas, was one of the first jurisdictions where Chicanos achieved political control through elective office (the city's population is 81,000, 90 percent of whom are Mexican-Americans). A number of foundations have given grants to enable the leadership of the city to build up various departments and to bring Chicanos into decision-making leadership roles.

32. MALDEF currently employs 24 lawyers in 6 regional offices (San Antonio, Denver, Los Angeles, Albuquerque, Washington, D.C., and San Francisco); it has a network of 200 volunteer private attorneys and has provided scholarship grants to approximately 600 Chicano law students.

33. Chicano advocates and lobbyists (the former substantially funded by foundations) have been highly successful in bringing to the attention of the Congress the needs of their constituents. During the 93rd Congress the following victories (which would have been unheard of 7-10 years ago) were claimed by such groups: the set-aside in the Vocational Rehabilitation Act of 1973 and the Comprehensive Employment and Training Act of 1973 of substantial funds for migrant and seasonal farmworkers and the guarantee in the legislative history of the latter that Operation SER (Chicano-run job program) would maintain its current level of federal funding; the earmarking in the HEW Appropriations Act of substantially increased funds for bi-lingual education (including research funds in the National Institute of Education); and the introduction of legislation dealing with bi-lingual courts and with the recruitment of bi-lingual students in various health professions.

34. 1973 data show that 1,537 Spanish-speaking individuals were elected to public positions at the federal, state, county, and municipal levels. The breakdown by state of Mexican-Americans elected to city-level positions was as follows: Texas, 226; Colorado, 95; New Mexico, 171; Arizona, 58; California, 203.

35. The council currently has an annual budget of *around* $500,000 and offices in Washington, D.C. and Phoenix. A portion of its budget comes from government grants, but the bulk is foundation money; it has been unsuccessful in obtaining corporate funds, and at present receives a contribution from only one corporation – Equitable Life Insurance (roughly $5,000).

36. The local affiliates are *Arizona:* Guadalupe Organization, Guadalupe; *California:* The Corporation de la Raza Unida, San Diego; The East Los Angeles Community Union (TELACU) and Euclid Foundation, both in Los Angeles; OBECA/Arriba Juntos, San Francisco; *Florida:* Organized Migrants in Community Action, Homestead; *New Mexico:* Albuquerque Building Cooperative, Corporation Organizada Para Accion Servidora (COPAS) and Juntos, both in Santa Fe; *Texas:* Arriba Juntos, Corpus Christi; Barrio Development Corporation, Uvalde; Colonias del Valle, San Juan; Mexican American Education Council, Houston; The Trinity Chicano Coalition, El Paso.

37. Although council personnel claim that they have not received much cooperation from business leaders in funding their programs or in working with them on local programs, they point to the banking community as an exception to this general conclusion. Both the Bank of America in California and the Valley National Bank of Arizona were singled out for praise for providing high-risk loans and/or making technical expertise available.

38. For example, the council has provided information on and detailed explanations of the operation and effects of federal revenue sharing on Chicanos. Follow-up assistance was provided to local groups to assist them in obtaining funding; and council staff have persuaded federal officials to modify the *Social Identifiers* developed by the Office of Management and Budget which is used by government officials for long-range social service planning to develop realistic identifiers on the Spanish-speaking instead of breaking the population down into Black and White only, as in the past.

39. The council magazine *Agenda* is one of the first and largest national forums for Chicanos to share and disseminate information. *Agenda* serves to uncover issues and provide exposure for problems that are then addressed by council staff at the national level.

40. This definition is taken from the Ford Foundation's draft publication, "LaRaza: Ford Foundation Assistance to Mexican-Americans."

41. MAUC has also received commitments for local revenue sharing funds amounting to roughly $60,000 annually.

42. These firms include two McDonald's food franchises, a candy factory and wholesale produce, trucking, furniture manufacturing, and building maintenance companies.

43. Filipinos and Spanish-speaking groups make up 12 percent of Oakland's population of 450,000; Blacks constitute 40 percent.

44. The Ford Foundation reports that for every dollar of funding that it has provided SSUC, the organization has generated eight dollars elsewhere. This compares well with other CDC's. Ford reports that for each dollar of its funding, H.E.L.P. generates seven dollars, MAUC nearly seven, and CPLC about five.

45. Among the small businesses assisted by SSUC are a drapery manufacturing company and a firm that designs and manufactures etching and lithograph presses used by artists in making fine-arts prints.

46. The Ford Foundation has itself pointed to the difficulty of getting support from other foundations for Chicano CDC's. Although one cause of this reluctance appears to be the feeling that "Ford has cornered the CDC market," many of the major Eastern foundations simply do not include Chicano programs as a priority.

47. See "Foundations' Responsiveness to Concerns of Minority Groups," Human Resources Corp., March 1975.

48. A recent publication of the American-Indian Higher Education Consortium, the Phelps-Stokes Fund, and Tafts Products, Inc., entitled *Directory of American Indian Private Funding Sources* (1975), lists all of the foundations, corporations, and church groups that have given financial aid to Indian programs. The directory, which is the most comprehensive and readily usable of its kind, summarizes the operations and structures of each of the grantors, listed in a manner designed to assist grantees in the search for funds. An earlier listing of grantors was introduced into the Congressional Record for January 29, 1975, by Sen. Edward M. Kennedy. It shows that as of that date the Field Foundation had given $782,824 to Indian programs, the Carnegie Corporation $494,300, the Donner Foundation almost $1 million, and The Ford Foundation $1.8 million. Other grantors included Arrow, Inc., The Luke B. Hancock Foundation, the Hill Foundation, and the Kellogg Foundation.

49. The Oakland-based American Indian Lawyer Training Program has added significantly to the legal effort. The program publishes the Indian Law Reporter; administers a fellowship program that provides subsidies to young Indian lawyers who want to practice on the reservations but could not otherwise afford to do so; and runs a summer intern program to support Indian law students in the offices of practicing Indian lawyers.

50. Arrow, Inc., a Washington, D.C., nonprofit group, has provided substantial support to the Association of Indian Court Judges. To assist the association in upgrading Indian courts, Arrow negotiated and administers a $300,000 grant from the Law Enforcement Assistance Administration. The project is doing research on topics such as the jurisdiction of tribal courts, the application of the separation-of-powers principle to tribal government, and the role of the FBI and other federal law enforcement agencies on the reservation.

51. Indian service centers have evolved in a number of cities; 132 of these centers have joined together in an organization known as the Native American Indian Council.

52. IETI received $180,000 from The Ford Foundation from 1970 to 1973 primarily for the purpose of helping Indian parents in New Mexico. The achievements there, however, have since carried over to other states. The project claims that it has affected the distribution of millions of dollars in federal education funds to Indian communities.

53. Another key case was brought by NARF on behalf of the Crow Tribe to protect the tribe's right to enter into coal leases in a lawsuit brought by environmentalists and private owners of surface estate *(Redding v. Morton*, CV-74-12-BLG, D.C. Mont. March 29, 1974). NARF represented the tribe's interests in petitioning the Secretary of the Interior to cancel existing leases on about a half billion tons of Crow coal because of a violation of the government's regulations resulting in windfall profits for the coal companies and also successfully renegotiated these leases for the tribe.

54. The ANF maintains its network in part through the distribution of a newsletter, "The Alaska Native Management Report," issued twice monthly.

55. Black elected officials accounted, however, for less than 2 percent of all elected officials nationally.

56. The fund was a Ford Foundation spin-off that supported programs related to civil rights and civil liberties.

57. This was a difficult task because of the competition for both recognition and resources among groups such as CORE, the NAACP, local human relations councils, and others.

58. The Cummins Engine Foundation and the DJB Foundation also contributed to VEP.

59. The Field Foundation gave over $800,000 from 1968-1972 and the New World Foundation during the period 1968-1972 gave around $300,000. RBF gave $175,000 between 1970-1973.

60. See, for example, *Gray v. Sanders*, 372 U.S. 368 (1963); *Wesberry v. Sanders*, 376 U.S. 1 (1964); *Reynolds v. Sims*, 377 U.S. 535 (1964); and *White v. Regester*, 412 U.S. 755 (1973).

61. Arthur Wise, *Rich Schools, Poor Schools* (Chicago: University of Chicago Press); Coons, Clure, and Sugerman, *Private Wealth and Public Education* (Cambridge: Harvard University Press, 1970). The Wise book grew out of a Ph.D. thesis; the Coons book was funded in part by the Russell Sage Foundation.

62. This basic pervasive inequity in resource distribution greatly dwarfed the modest OEO and HEW funds provided to aid disadvantaged children as part of the much-heralded War on Poverty.

63. Numerous publications analyzing financing alternatives have been put out by the Childhood and Goverance Project. The Lawyers' Committee has an extensive bibliography of litigation materials, listings of cases decided or in progress, and related matters. School finance reform is an area where litigation has been effectively used as a tool for public education.

64. As indicated above, California enacted a bill providing increased state aid; additional legislation is expected in that state. Michigan, Florida, Minnesota, Colorado, Kansas, and Maine passed reform laws. As noted above, the Governor of Texas has announced school finance reform as his top priority. New Jersey and Connecticut are under court orders to reform their laws, and Oregon legislators are in the early drafting stages.

65. In addition to local school reform groups, a number of organizations have evolved that are dealing across the board with the problems of children in American society. Prominent among these are the Children's Defense Fund (which receives approximately $1 million annually in foundation grants), the Massachusetts Advocacy Center, and the Children's Foundation, a membership organization in Washington, D.C.

66. An excellent description of a variety of programs and strategies supported by philanthropy to combat police abuses in Chicago can be found in the 1973 annual report of the Wieboldt Foundation.

67. *Blankenship v. Boyle* (D.D.C. 1971).

68. Subsequently, foundation funds given through The Youth Project to the Save Our Cumberland Mountains group, developed the underlying data that led to the State of Tennessee passing a new law that taxes the actual mineral wealth of the land in the state rather than the surface acreage.

69. For a more general (that is, not focused on the powerless) but comprehensive discussion of church resources and giving, see the Interfaith Research Committee report prepared for the Filer Commission (1975). The study has chapters on the activities of the Protestant, Catholic, Jewish, and Mormon churches.

70. The UCC's Office of Communications spearheaded the challenge to TV stations to provide adequate coverage of minority activities and to meet proper minority hiring standards. Its landmark case against WLBT in Jackson, Mississippi, led to a basic rehaul of Federal Communications Commission standards and procedures for station license renewal. The example set by the UCC's efforts has been followed in innumerable cases across the country.

71. The Baptists have been extensively involved in nonprofit housing, particularly the establishment of special corporations for housing and, in addition, have been substantial contributors to IFCO (see below). In addition, they established the Baptist Fund of Renewal to assist ghetto projects.

72. The Presbyterian Economic Development Corporation has invested about $9 million in minority programs. The Episcopal Ghetto Loan and Investment Committee is a $2.3-million fund that makes loans to MESBIC's and local development companies. The Methodist Mission Enterprise Loan and Investment Committee was funded at $1.8 million: it went out of business in 1971 after heavy losses.

73. A brief description of FIGHT will give an idea of the kinds of groups supported by the church funds. FIGHT is a federation of over 200 block clubs, neighborhood associations, businesses, and religious and fraternal groups organized in 1965. Although initial support came from the churches, FIGHT's primary financial support at present is derived from local contributions, annual membership fees (from community groups), and fund-raising campaigns. Its basic focus has

been on community development and organization. Among other things, it has worked to rebuild low-income high-rise apartments and to develop and administer a Section 236 housing project (containing 149 apartments with 25 percent leased to the Rochester Housing Authority for rental to families on welfare). The latter project, known as FIGHT Square, will also have a health clinic and a day care center. FIGHT has also engaged in a number of business enterprises with the assistance of the Xerox Corporation. FIGHTON is a manufacturing facility (transformers and metal stampings) that in 1970 had sales of over $1 million.

74. Churches make financial aid available through domestic and foreign mission budgets, special offerings collected from the church membership and directed to specific campaigns, and through disaster agencies.

75. Although it is not included within the scope of this paper, churches are deeply involved in overseas programs, especially in terms of manpower and resources. Recently, international programs have shifted control from the mission level to the local church level. In addition, there has been a shift in focus from services to developmental activity.

76. Critics of church giving state that although some grantors have taken risks, the churches suffer from the same timidity that plagues other philanthropoids. They do not give as much as they could, they fail to exert the full weight of their authority behind civil rights and public interest issues, and despite their virtual immunity from political interference, some churches avoid "controversial" grantees.

77. A central role in this area has been played by the Mennonites and the Church of the Brethren which, although small, have historically been "peace" churches.

78. This is not to suggest that charitable contributions represent "free money." to the corporate official they constitute an alternate investment situation that must be justified in the same manner that any corporate investment must be justified.

79. Actual development of social audit procedures has been credited to Clark Abt, founder of Abt Associates, a Boston-based consulting firm.

80. Some traditional national organizations, such as the American Bankers Association, the U.S. Chamber of Commerce, and others, achieved some reorientation of their programs to urban and poverty issues; this became an excuse for the newer national corporate efforts to decelerate or disband.

81. Another factor contributing to reduced corporate enthusiasm for social programs has been the lack of "esay victories." Changing the society is "a game for long-distance runners" and cannot be translated into easily quantifiable short-term achievements. Many corporations slowed down because they saw little impact from their work and from the organizations they were supporting.

82. Because of reduced sales, the company conducted an indepth review of this policy in 1974 and reached a clear decision to continue it in the future.

83. The Dayton-Hudson Foundation also funded a program that was supported by several industries to get out the 18-year-old vote in Minnesota. This is the kind of program that many corporate officials would not have touched because of the widespread belief that young voters may elect younger legislators who champion environmental, consumer, tax-reform, and other issues that affect the corporate bankroll.

84. The decision to focus on architecture was based on the corporation's belief that "The influence of architecture with which we are surrounded in our youth affects our lives, our standards, our taste when we are grown just as the influence of parents and teachers with which we are surrounded in our youth affects us as adults."

85. Corporations have been characterized by a number of social activist grantees as being willing to give money for or to address anyone else's problems but their own; the contract recommended above would help to reverse that trend and enable corporations to influence constructively any new public policies that affect their own operations.

86. The Project reports that from September 1971 to September 1974 it gave out a total of $1.1 million to 143 projects. Of that total, $466,777 came from general support income and $640,108 was raised by the Project from over 50 foundations as earmarked grants for Project-recommended grantees.

87. As noted earlier, a Youth Project type of structure could greatly assist corporate donors by making available to them a range of skills and a kind of outreach not provided by the United Way, the grant coordinating mechanism currently relied on by the majority of corporations.

88. Similar coordinating mechanisms for individual donors who wish to focus their charity on defined program areas and to maximize their impact by joining with other donors without creating a family foundation are also appropriate. Community trusts exist for this purpose in a number of cities. The Haymarket Foundation and the Peoples' Fund have recently been created for the same purpose. And the Joint Foundation Support in New York City is a proven example of this kind of joining together by individual donors to benefit the poor or powerless.

89. These recommendations are addressed to improving present setup rather than replacing it. Consideration should be given also to more radical ideas such as replacing foundations with quasi-public bodies.

90. This is not a plug for more meetings (which seem to eat up vast portions of philanthropids' time) but for a sharing of substantive information and ideas. In the course of preparing this paper many criticisms were made that The Ford Foundation, for example, fails to even contact the West Coast foundations when it develops a Chicano program for Los Angeles. Similarly, in telephone interviews, I was often able to inform business grantmakers of what churches or foundations had tried in their field of concern. More such communication is needed. (A start has been made among foundations with the creation of the "Coalition of Change-Oriented Foundations.")

91. For example, until this year philanthropoids have virtually neglected the rural poor, despite the thorough documentation of their plight by commissions and other bodies. This year a consortium of foundations has provided major funding for a center in Washington that will work on the health, job, and other problems of Americans living in rural areas.

92. This recommendation also applies to grantees but is not developed in that context because this paper is not addressed to their limitations.

U.S. FOUNDATIONS AND MINORITY GROUP INTERESTS

U.S. Human Resources Corporation[†]

Introduction

Research Focus and Methodology

The research presented here focuses on the identification and analysis of public policy issues relating to the response of grant-making charitable foundations to the problems and concerns of Asian Americans, Blacks, Spanish heritage and Native Americans in the United States. The study considers three perspectives: (1) the foundations themselves, (2) minority organizations, and (3) federal and state governments, particularly with respect to regulatory and taxing powers.

Specific policy issues fall within four major areas: (1) the rationales for private foundations (general policy issues), (2) the mission and program of foundations, (3) the foundations' response to legal constraints, and (4) administrative and structural policies. Also considered are factors that affect the different responses of foundations to minority concerns, and the various patterns of giving.

Four basic methods were used in this exploratory research: (1) individual and institutional interviews; (2) literature search, review, and appraisal; (3) securing and analyzing empirical data on foundation grants to Spanish heritage groups, and Asian-American groups.

A technical review panel was established to provide consultation, identify unpublished materials, and review the draft of the final report.

The interviews were initiated by the project director who contacted a number of individuals who are working or have worked with foundations, either on the professional staff or as members of the board. Several spokespersons for ethnic minority interests were also interviewed.

All the requests for interviews were granted. Exploratory conferences with some interviewees covered foundation objectives and research approaches. Policy areas were discussed with key individuals. All interviews helped to provide access to pertinent materials within the organizations.

The literature search began with Human Resources Corporation's own library dealing with foundations and their relations with ethnic minorities. A more comprehensive source was the Foundation Center, an independent, nonprofit, educational organization chartered by the Board of Regents of the State University of New York. The Center has the most extensive collection of documents and data concerning foundations in the United States. Through direct access to the Foundation Center's index and bibliographic materials in its headquarters in New York City, HRC examined and compiled all references to "minorities."

Another bibliography was provided through direct contact with Robert F. Goheen, chairman and chief executive officer of the Council on Foundations, Inc., in New York City.

A fourth source of relevant materials was HRC's screening of the following indices, in cooperation with "Information Unlimited" (a professional service):

Research in Education (ERIC)
Reader's Guide to Periodical Literature
Social Sciences and Humanities Index
Foundation News
Public Affairs Information Service Bulletin
Monthly Catalog of U.S. Documents

[†] This report was reprinted with permission of the U.S. Human Resources Corporation.

Congressional Record Index
Education Index
Business Periodicals Index
Alternative Press Index
Bibliographic Index

Altogether, the search produced about 200 books, periodicals, and other documents. Those that were used in the analysis appear in the Bibliography.

An important source of new material was the Commission on Private Philanthropy and Public Needs (Filer Commission), headquartered in Washington, D.C. Filer Commission members were generous in providing access to a substantial body of unpublished paper representing the findings and opinions of the authors as prepared for the Commission.

Empirical data on foundation grants benefiting two types of ethnic groups living in the United States, those of Spanish heritage, and those of Asian heritage, were secured through computer print-outs from the Foundation Center. In addition, HRC ordered separate computer runs of grants made to international Latin American programs and international Asian programs, including both international studies in American universities and programs serving local populations abroad.

Information in the data bank was compiled from the 1972 and 1973 editions of the *Foundation Grants Index* and bi-monthly 1974 editions of the journal *Foundation News*. The raw computer data have been recast by HRC in tabular form in order to reveal a number of important relationships, and to indicate possible directions for future empirical research.

The discontinuity of much of the literature, along with the absence of systematically accumulated data, has emphasized the need for more systematic and comprehensive reporting. HRC believes that this report makes a substantial contribution to the literature by delineating and clarifying issues, and indicating areas that can be productively studied in the future.

U.S. Human Resources Corporation

HRC, a minority-owned consulting firm with an interracial and multi-discipline staff incorporated in July 1970, has had extensive national and local experience in research, program planning and evaluation, and community planning, and has worked with both voluntary and public agencies which serve ethnic minority populations.

The president of the firm, Herman E. Gallegos, has had extensive experience with foundation work through his membership on the boards of the Rosenberg Foundation (serving California), the National Campaign for Human Development, chairperson, the Poverello Fund (California), his position as a consultant to The Ford Foundation, and his wide contacts with minority-controlled organizations, many of which have sought or received foundation grants. Masato Inaba, a principal of the firm, has been extensively involved as paid staff and as a volunteer with Asian American organizations.

Through these experiences, HRC has become increasingly concerned about the responsiveness of foundations to the needs of ethnic minorities, as well as aware of the scarcity of systematically gathered and organized information on the subject. The National Science Foundation was receptive to the idea of HRC's undertaking an exploratory study. Gladys Handy, of NSF staff, provided technical assistance and encouragement in the formulation of the study design. We express our appreciation for her help.

Frank Moncrief, senior researcher, and Brenda McIntosh Walsh, associate researcher, contributed substantially to this report.

The assistance of our review panel of ethnic and foundation consultants has been invaluable. This panel included: Msgr. Geno Baroni, president of the National Center for Urban Ethnic Affairs; Mrs. Ruth Chance, retired executive of the Rosenberg Foundation; Dr. Ernesto Galarza; Dr. Robert Hearn, executive director of the Association of Black Foundation Executives; Dr. Harry Kitano; Dr. Julian Samora; and Mr. David Ushio, national executive director of the Japanese American Citizens League.

The first draft of this report was submitted to the National Science Foundation on March 7, 1975. Minor alterations and additions have been incorporated for this final report.

Summary

Private charitable foundations have been largely insulated from the broad-reaching public debate accompanying the spate of recent inquiries into American social institutions. The foundations are surprisingly numerous – totalling perhaps 30,000 – and in a few cases, quite influential. Yet, with few notable exceptions, they have not been subjected to systematic scrutiny in terms of their programmatic functionalism and relevance to pressing issues of American life. In particular, foundations have rarely been examined as to their responsiveness to the concerns of minority groups.

In the last few decades, as the federal government has taken an increasing share of the philanthropic burden, and as new social movements have made their impact, the traditional functions and statuses of foundations have been queried. Foundations enjoy broad tax privileges which have only recently been partially restricted; it follows that foundations must deserve these privileges by acting in the interest of the entire society – especially by responding to those groups most in need of their assistance.

Foundations take no cues from any external political consensus. They never need worry about running for reelection. In theory, they should be among the most flexible and innovative agents for social progress. Minority groups, therefore, should receive *at least* a proportional share of foundation largesse. But this is hardly the case. The statistics are clear and compelling:

- Americans of Spanish heritage account for 5 percent of the total population. According to HRC research based on Foundation Center data, from 1972 through March 1974, Spanish groups received 0.8 percent of all the (tabulated) funds disbursed in 1972-73 by American foundations. Of the 217 grants made to these minority groups, only 39 percent went to agencies controlled by individuals of Spanish heritage. There was also a regional inequity with Spanish heritage populations in the Northeast receiving proportionately more funds from more diversified sources than the Spanish heritage populations heavily concentrated in the West and the Southwest.

- Americans of Asian descent account for 0.6 percent of the national population. Foundation Center data analyzed by HRC indicate that from 1972 through August 1974, Asian groups received 0.1 percent of the total from foundations for 1972-73. Further, only 22 percent of this tiny share was awarded to agencies run by members of the minority group. Most of the funds went to Chinese organizations, mostly in the Northeast. The West, with 57 percent of the Chinese-American population, received only 31 percent of the funds. Other Asian groups – Japanese, Korean, Filipino – were virtually ignored.

- Afro-Americans comprise about 11 percent of the total population. According to an Urban League study of foundation grants during 1970-71, in the welfare category, less than 5 percent of the child-welfare funds went to blacks, and only 0.5 percent to black-controlled agencies; of grants to youth programs, only 1 percent went to agencies run by blacks; of grants to colleges, only 6 percent went to black institutions; of grants for assisting the aged, only 3 percent was allowed the black community.

Similar patterns could be described for other groups, including women and Native Americans. Minority needs are consistently slighted. Only 75 foundations in the Foundation Center's data base were found in our analysis to have contributed to Spanish heritage and Asian American beneficiaries. When grants are made to minorities, they tend to flow through broker agencies controlled by the majority culture. Regardless of a minority group's distribution across the country, grants are often concentrated in the Northeast — which is, not coincidentally, the major locus of foundation headquarters in the United States. There is a disproportionate number of scattered grants and little heavy or longitudinal commitment to minorities on the part of most foundations which have contributed to such concerns. Programs oriented to Asian or Spanish-speaking countries and studies are far more heavily subsidized than are programs directed to domestic Asian and Spanish-heritage minorities, respectively. And finally, the small share of foundation money going to minorities is preponderantly spent on conservative, low-risk projects.

That is, the money flows heavily to education institutions. Of the $1,243,940 in the data base granted to Asian Americans from 1972 to August 1974, HRC calculations showed 55 percent flowing to education and research. Most of the rest was divided among agencies for health, legal service, technical assistance and development, and welfare. The corresponding figures for Spanish-heritage groups were out of a total of $11,557,490, 49 percent went to education. The emphasis reflects a general tendency among foundations. A study of all foundation grants from 1962 through 1971 found education to be the most favored field of service, receiving 33 percent of the total (health received 14 percent, welfare, 13 percent).

The Tax Reform Act of 1969, though not an inpenetrable barrier prohibiting allocation of grants to innovative, institutional-change-oriented projects, has provided some support for foundations which prefer to allocate grants to low-risk, conservative programs. It acts as a foil to such foundations in part through its "expenditure responsibility" section. This section requires that foundations be accountable for all actions taken by their grantees other than public charities, giving an edge to the latter and slighting the newer, action-oriented agencies of particular importance to minority groups. Hence, the great majority of grant funds have benefited and continue to benefit establishment organizations and institutions.

The TRA also places strictures against political activities such as "attempting to influence legislation, including attempting to affect public opinion or communicating with persons participating in the legislative process." Thus foundations were denied involvement with the political process and direct access to meaningful power. It is no wonder that some minority spokesmen considered it a "hostile bill." In practice the TRA's restrictions have done less damage than initially feared. Foundation support for voter registration was greatly limited at first, but then increased after regulations specifying permissible circumstances were issued. In recent years the Treasury Department has been reasonably generous in allowing foundation gifts to potentially political undertakings. The "expenditure responsibility" section retains a certain inhibiting effect, but otherwise for minorities the TRA's impact appears not to be overly detrimental.

The problem lies mainly with the foundations themselves. They frequently operate within a constricted compass promulgating social programs which lag behind those put forth by government and academia. Their boards are ingrown, interlocking, and self-perpetuating. They are dominated by white, Ivy League males, to the almost total exclusion of women and ethnic minorities. The same is true of the composition of many staffs. Each foundation is answerable essentially to its own self-appointed trustees. Perhaps, given these circumstances, it is not surprising that foundations should have a history of ignoring minority concerns. They generally have not made convincing efforts to fully understand them.

Some foundation executives have recognized these problems. In 1968 Alan Pifer, president of the Carnegie Corporation, found strong evidence that foundations "are overwhelmingly passive, conservative, and anchored to the *status quo*. They are agents of continuity, not of change." For the years 1972-73, of a total foundation expenditure of $1.6 billion, only 0.7 percent involved politics and government and 0.3 percent involved economics. These figures led Archibald Gillies, president of the John Hay Whitney Foundation, to conclude that "foundations are not facing basic political and economic questions." Thus such criticisms do not emanate only from the minority groups that would most benefit from a reorientation of funding priorities.

In fact, these views are shared by much of the general public. In 1969 an independent survey of 4,000 distinguished Americans found strong majorities in favor of more direct public policy activity by the foundations. Three years later, a Gallup Poll of the public at large clearly showed general support for foundation involvement in such politically related areas as drug abuse, hospitals, the aged, pollution control, and juvenile delinquency – and hardly any interest in support for education.

Foundations have not convincingly supported programs that seek institutional change, that challenge accepted mores, and that correlate with the needs of disadvantaged groups. Programs that attempt to deal with basic issues, that bring flexibility and innovation to social problems, and that are conducted in a spirit of cultural hospitality rather than paternalism are shamefully few. A reorientation of foundation procedures and priorities would put such basic needs in the forefront, and would examine and cultivate available ethnic minority resources and capabilities.

Recommendations

The recommendations and suggestions below flow from issues raised in the accompanying exploratory study. The study is oriented in the direction of the stated perspective: that foundations should be forerunners and not laggards in acknowledging and furthering the dignity and equality of all peoples and races in American life. We do not dispute that private philanthropy serves a variety of expressed needs in a commendable and inimitable fashion; the core of our position is that foundations, in claiming to serve the nebulous ideal of "public needs" and "the public interest," have not sufficiently provided for the needs and interests of minorities. The question is one of system changes and of allocation of resources.

It is hoped that foundations, donee organizations, government officials and minority groups will benefit from the overview presented here; it is to these diverse audiences that the following are directed.

1. Insofar as there remains a fundamental disparity between the priorities of minority groups and those of private foundations, it is recommended that minorities give more attention to foundations as institutions and to system-changing possibilities than to formulating technical proposals. Structural alternatives which could enhance the private philanthropic arena for minorities include:

- a matching grant system, currently debated publicly and privately;
- a limitation on the life of donor-controlled foundations, periodically presented as a viable mandated possibility; and
- a system of community ascertainment, outlined below.

2. A defense of the feasibility of a system of community ascertainment was not possible in this study. We have borrowed the concept from the requirements made by the federal government upon holders of broadcast communications licenses. The idea is put forth for consideration both as an alternative to the advocation of a radical restructuring of the private foundation system and as an illustration of the type of revision which is necessary to resolve the question of equity raised by minority concerns. An attempt to ascertain community needs and interests, that is to say, community problems, would provide a standard (even within donor-restricted subject areas) for priorities currently set by boards often on the basis of recondite or nonexistent rationales.

Foundations, like the media, should not rely on an "inherent knowledge" of their communities or fields of service. They should be required to "dig beneath the surfaces of majority opinion and conventional wisdom to discover and deal with needs that might not otherwise be exposed."[1] They should establish continuous contacts with various segments of the population representative of "needs, interests and problems" indicated. The purpose here is not to strain an analogy, but to accommodate portions of the rationale and some of the techniques of ascertainment which seem applicable to foundations. A format encompassing some or all of the following elements could be considered as an alternative to the present personalized system:

- development of goals and objectives which match foundation resources to community needs;
- assemblage and analysis of needs data on a regular basis (e.g., every three or four years) for purposes of competent grant-making; and
- determination of needs by combinations of methods such as (a) consultatation with a representative range of groups consisting of broad economic, social, political and cultural segments of the communities; (b) cross-sectional surveys and other sampling methods to establish the nature of the communities served; (c) examination of revenue sharing decisions for their elucidation of community needs; (d) perusal of government compiled social indices; and (e) solicitation of information from the general public to reveal problems of those who are not well organized and have few recognized spokesmen.

National foundations could make ascertainment efforts on regional levels and establish cooperative arrangements with community-level foundations for the sharing of information. Small foundations with few resources could rely on easily available indications of community problems such as demand for revenue sharing programs.

3. To ascertain programmatic priorities of grant-making, foundations are urged to reexamine the amount of funding expended for internationally oriented activities. Scrutiny is required inasmuch as disproportionate amounts of grants have been made, for example, to Spanish-speaking countries and their study vis-a-vis Spanish-speaking communities in the United States. It is noted that grants for programs abroad may carry a patina of glamour not intrinsic to domestic projects.

4. Minorities have not received a substantial share of foundation funds. An equally important question, however, relates to the nature and quality of funded grants in terms of scope of problems addressed. We concur with the statement that "too many foundations support only people and projects that unquestioningly accept orthodox assumptions about the nature and consequences of the institutions that mold our society."[2] Hence,

- Foundations are urged to take stands on projects which involve risk and raise questions of institutional change.
- Foundations should not automatically shy away from grants that may appear controversial.
- Funding high-risk projects need not mean shirking accountability requirements; programmatic monitoring can enhance experimental projects by increasing credibility and chances for dissemination and by eliminating unmeritorious projects.
- Concrete evidence linking the Tax Reform Act of 1969 to foundation timidity regarding expenditure responsibility projects is not available. Insofar as evidence may accrue confirming such an implication, then modification of inhibiting clauses may be deemed desirable.

- Foundations are urged to chance supporting more groups without track records and without the imprimateur of prior foundation acceptance. At the same time, a certain amount of longitudinal security should be forthcoming for programs directed toward minorities and proven meritorious.

5. We advocate that a greater degree and higher quality of technical assistance be offered by foundations and organizations of foundations to minority groups with the potentiality for resolving community problems. Concomitantly, donor groups are urged to increase visibility and accessibility to donee groups, with special attention to geographic areas outside the northeast which receive disproportionately low shares of foundation monies. Various approaches could prove beneficial:

- Annual reports should be comprehensive and informative about the goals and current projects and capacities of foundations.
- Statements concerning grantee eligibility requirements should be made available and disseminated.
- Information concerning application procedures should likewise be readily available.
- Regional consultants and/or outreach offices could provide greater access to foundations for interested groups.
- Cooperative efforts and pooling of resources among smaller foundations is recommended to enhance visibility with minority groups.
- Cooperative efforts with the Foundation Center, the Council on Foundations, and other umbrella groups is essential.
- The Council on Foundations is urged to consider establishing a minority group advisory service to grant-making organizations as it has done for cultural affairs.

6. We advocate that foundations channeling funds to benefit minority communities make vigorous attempts to locate ethnic recipient groups. The concern is one of simple justice – the right of minority groups to self-determination. In addition, established institutions to which most grants are allocated are frequently marked by poor affirmative action records.

7. It is imperative, from our perspective, that foundations achieve a higher level of minority representation on boards and on staffs. Though not a definitive element in the attainment of sensitive and meaningful programs for minorities, the dearth of minorities in foundation circles cannot be conducive to the evolvement of compatible and constructive programs oriented toward minority concerns.

- Parameters for affirmative action by foundations could be established by the U.S. Commission on Civil Rights.

8. We strongly recommend that a systematic data base relating to foundations and their responsiveness to minority groups be instituted. Current levels of record-keeping reflect a paucity of information about minorities stemming at least in part from the unwillingness of many foundations to divulge such information. The 990 Forms are often incomplete, and difficult and expensive to summarize.

- The Foundation Center would be an ideal voluntary mechanism for accumulating data on programmatic and representation trends.
- Alternatively, the IRS could demand more relevant information from foundations, utilizing excess funds from the 4 percent tax to systemize the data.

It is hoped that the suggestions above will receive serious consideration from those now active in the foundation arena.

I

IDENTIFYING FOUNDATIONS

Definitions of Foundations

Private grant-making foundations cover a large territory. Foundations are far more monolithic, and specific information on them is sporadic and scattered. Thus any research into this field must begin with a clear understanding of the spectrum and definitions of the foundations considered.

For this study, HRC accepts the definition of a foundation used by the Foundation Center in compiling the fourth edition of the *Foundation Directory*, formulated by F. Emerson Andrews, president emeritus of the Center, as follows:

> . . . a non-governmental, non-profit organization, with funds and programs managed by its own trustees or directors, and established to maintain or aid social, educational, charitable, religious, or other activities serving the common welfare.[3]

We include the Foundation Center's quantitative criteria which restricts the number of foundations listed to those making grants either to organizations or individuals, although some may, themselves, administer service or research programs. An "operating foundation," one which uses its resources exclusively for its own program, does not meet our study definition.

Because of the explicit meaning given by the Tax Reform Act of 1969 to the terms "private foundation" and "publicly supported charity," this study eliminates use of the modifier "private" when discussing those non-governmental, nonprofit foundations which are included within the scope of the research. Hence a community foundation (or trust) which meets the requirements of our definition, even though it qualifies as a "publicly supported charity" under the Tax Act, will be part of the study universe.

Additional criteria in the Foundation Center's volume include both charitable trusts and corporations, but exclude organizations

> . . . which make a general appeal to the public for funds; which act as trade associations for industrial or other special groups; which are restricted by charter solely to aid one of several named institutions; or which function as endowments set up for special purposes within colleges, churches, or other organizations and are governed by the trustees of the parent institution.[4]

The first exclusion is useful in distinguishing entities that may call themselves foundations but that are essentially fund-raising organizations. It is an important distinction, since many diverse enterprises such as research organizations, academic institutions, social welfare organizations, voluntary health agencies, patriotic societies, college and alumni funds, and even trade associations have adopted "foundation" as a part of their name.[5] Andrews himself has observed,

> . . . the prestigeful name *foundation* has been adopted by many organizations which have no proper right to its use. These include agencies which solicit contributions instead of disbursing from an established fund, and some which are trade associations, pressure groups, or outright rackets.

Andrews therefore stipulates that "the possession of an endowment is essential to a true foundation."[6]

The operational definition of private foundations used by the federal government (Internal Revenue Service) was also arrived at by exclusion. A brief discussion of these statutes and IRS regulations will be helpful in providing a legal perspective for definitions of foundations. The Tax Reform Act of 1969 provides a comprehensive set of rules dealing with virtually every aspect of the organization and operation of private foundations which are identified as any domestic or foreign organization exempt from federal income tax under Section 501 (c) (3), *other than* certain specifically described organizations. These exclusions include, basically, three classifications of Sec. 501 (c) (3) organizations:

(1) Churches, schools (and their fund raisers), hospitals, states and political sub-divisions.
(2) Publicly supported charities.
(3) Organizations controlled and operated exclusively for the benefit of one or more of the organizations described in categories (1) or (2) above.[7]

The terms used in the first category are not likely to cause difficulty in implementing the Act. However, complications do arise in determining whether an organization is a "publicly supported" charity. This is of more than academic interest since substantial benefits accrue to these organizations. Specifically, they do not incur the 4 percent excise tax on net investment income imposed on private foundations, nor are they subject to certain penalties for engaging in prohibited taxable expenditures.

Henry G. Zapruder, in his "Analysis of Provisions Affecting Foundations," classifies a publicly supported charity as one

> . . . accomplished (1) by incorporating by reference the definition of a publicly supported charity under Sec. 170 of the Code (dealing with charitable contributions) and (2) by introducing a new statutory definition of a publicly supported charity in Sec. 509 (a) (2). These two distinct exclusions for "publicly supported" charities are independent of one another, and qualification under one is sufficient to exempt the organization from the private foundation definition.[8]

Essentially, under Sec. 170, if an organization "normally receives a substantial part of its support, exclusive of income from its charitable activity, from a governmental unit or from contributions from the general public," it is excluded from classification as a "private foundation." Treasury regulations specify two tests for this. Under the mechanical test, an organization is deemed to be "publicly supported" if it normally receives one third or more of its support from the general public or governmental units. In addition, contributions from any one person (and member of his family) are included up to 1 percent of the organization's total support.

Should an organization fail the mechanical test, it may still qualify as a "publicly supported charity" under a "facts and circumstances test." This test is designed to permit organizations that receive less than the one-third public support required by the mechanical test to classify as "publicly supported" if they receive support "from a representative number of persons in the community." Relevant factors here include whether the governing body is made up of public officials or citizens who are "broadly representative of the interest and views of the public," and whether its financial reports are provided to the public at least once a year.[9]

As mentioned previously, Sec. 509 provides still another way to exclude an organization from the "private foundations" category, and thus permits it to be classified as a "publicly supported charity." Two conditions imposed here are that (1) more than one third of the support must be from specified sources (in essence, the general public), and (2) less than one third of the support must be from gross investment income. This statutory provision differs from the Treasury regulations in that it imposes a ceiling on investment income, and it includes gross receipts from a related trade or business in determining total support and support from the general public.[10]

As Arnold J. Zurcher and Jane Dustan note, the Tax Reform Act of 1969 defines, at least by implication, the foundation substantially as Andrews does – namely, as a privately administered, tax-exempt, charitable organization with an endowment or property providing at least two thirds of its income.[11] Even though a prominent, privately created, study grou[illegible] Commission on Foundations and Private Philanthropy (Peterson Commissio[illegible] its 1970 report, does not consider the possession of an endowment as an essential element in its definition, the report does state that

> . . . two basic characteristics distinguish foundations from other charitable organizations: first, they receive their contributions from a single person or a relatively small group, and second, their major function is *giving (grantmaking) rather than doing.*[12]

Types of Foundations

Five types of foundations have been identified by Andrews to reflect both the major distinctive program objectives and structure of a foundation:[13]

1. *General purpose foundations,* with broad charters, "directed by boards of trustees with wide interests." Most of the larger well-known foundations such as Carnegie, Ford, and Rockefeller are of this type; most operate with a professional staff.

2. *Special purpose foundations* "which are restricted by charter to a specific field or purpose," and usually reflect the interest of the original donor. The Carnegie Endowment for International Peace is an example. These are usually smaller than the average general purpose foundation.

3. *Company foundations,* created by corporations to facilitate corporate giving as well as to confer financial benefits on the company. The Tax Reform Act has made the company foundation a less attractive instrument for corporate gifts.

4. *Family foundations,* established by a living person or persons rather than by bequest. "Their boards usually consist of family members and their immediate associates, and they often serve simply as channels for the personal giving of the founders." These family foundations sometimes expand their purposes and resources to become a general purpose foundation. The Ford Foundation, which began in 1936 with an original endowment of $25,000 is one example.

5. *Community foundations,* composites in which gifts or bequests are administered as to principle through the trust departments of qualified local banks; the income, with any authorized portions of principal, is disbursed under control of a distribution committee selected for representative character and knowledge of charitable affairs.

Local variations of this community foundation structure include the corporate form of a community foundation, through which the foundation invests the gifts or bequests made directly to it, or authorizes local banks to administer and invest the funds;, the community foundation which performs the distribution function; or, the foundation which performs both functions. Performance of both functions by one entity is increasingly accepted as the best way to further the objective of building an endowment and using the income to encourage and support local projects. Originally, "community" was conceived as embracing a particular city or a limited geographic area. Recognition that community interests may extend over a larger geographic area stimulated the development of regional and statewide community foundations.

In 1973, a group of young fund raisers in San Francisco published a handbook, *The Bread Game*, oriented to those from the Third World community who seek money from foundations. The authors describe it as a "unique how-to manual of fund raising for social change." This joint venture of the Regional Young Adult Project and of Pacific Change uses the preceding five-tier structure, but further annotates it with the authors' non-pedantic judgments about the probable responsiveness of foundations:

> *General Purpose Foundations.* Most important of these are the particularly large foundations that operate with relatively few restrictions. They are the most difficult to obtain money from; generally they prefer to relate to institutions as large as they are.
>
> *Special Purpose Foundations.* These restrict their grants to a specific area of interest: health, art, etc. They are a good source if your project falls within their area of interest.
>
> *Corporate or Company Foundations.* Federal law allows a corporation to give 5% of its adjusted gross income to charitable and/or educational activities. Actually businesses now give on the average less than 2%, usually in uncreative grants to enhance their corporate image or satisfy the personal preferences of investors or business contacts. Many corporations are getting edgy about flak they are receiving from the public for social irresponsibility, so they are now more susceptible to requests from ordinary folk. If a corporation has no foundation, try its public relations or community relations office.
>
> *Family Foundations.* These are set up and controlled by a donor and his family; their grants fall within their areas of personal interest.
>
> *Community Foundations.* A relatively recent addition to the foundation world, these foundations receive and grant funds within a specific geographic area. Often they are very large, since they receive the assets of smaller foundations who do not want to take the trouble to administer their funds themselves. Because they are limited in geographic area and have broad purposes, they are a good place to go for funds.[14]

Number of Foundations

Estimates of the number and size of foundations vary considerably among official bodies or individuals who have produced organized data. These differences stem from the varying concepts of a foundation, the precision, or lack of it, in definition, and the inconsistent methods of counting.

The Foundation Center, for the year 1968, counted 22,000 foundations in the United States; the Internal Revenue Service provided the Subcommittee on Domestic Finance of the House Committee on Banking and Currency with a list of 30,262 "private foundations" for which they had records in 1968.[15] Reports to the Internal Revenue Service, however, include operating foundations, trade associations, and other activities which exceed this study's definition of a predominantly grant-making foundation. An examination of IRS reports, filed in the Business Branch of the San Francisco Public Library, revealed such non-grant-making organizations as American Air Museum Society, American Association for Inhalation Therapy, American Building Contractors Association, American Cancer Research Foundation, American Legion Auxiliary, American Physical Fitness Research, and American School of the Dance.

A third estimate, by the House Select Committee on Small Business under Chairman Wright Patman in 1961, was 45,000 existing foundations. Not only is this the largest of the three estimates, but it was made in 1961. Evidence presented by foundation authorities indicates that there were substantially fewer foundations in 1961 than in 1968.[16]

On May 4, 1975, the *San Francisco Examiner* printed a report of the National Council of Foundations by William Mullen of the *Chicago Tribune* stating:

> There are 28,000 foundations in the United States, with $27 billion in assets. The assets mostly are in the form of stock portfolios left to them by the nation's richest families. The income from the stock is what the foundations spend for their stated purpose, "the betterment of mankind."

This study accepted for its count all organizations required to file reports with the Internal Revenue Service as a tax-exempt organization or as a charitable trust, without qualifications.

Data presented here will reflect the definition used by the Foundation Center. The Council on Foundations, a voluntary association of approximately 715 predominantly grant-making organizations, which has a working relationship with the Foundation Center, estimated that in mid-1974, there were between 28,000 and 30,000 private foundations with discretionary grant-making functions and 250 additional community foundations or trusts also making grants and operating in a manner often indistinguishable from a private foundation. Most meet criteria under the Tax Reform Act which enable them to be classified as a "public charity" with consequent beneficial tax treatment.[17]

Growth and Assets of Foundations

Reasonably complete data are available from the Foundation Center on the year of establishment of the 5,454 larger foundations listed in Edition 4 of *The Foundation Directory* (foundations which made annual grants of $25,000 or more, or had assets of $500,000 or more). Only 9 percent were established *prior* to 1940. But of those with assets of $10 million or more (in 1969), 38 percent were established prior to 1940.

Small foundations, those with assets under $1 million, are a more recent development, as 96 percent of these were created in 1940 or subsequently.[18]

Andrews notes that most of the foundations created in the 1940s were

> . . . family or company-sponsored, . . . differing in one significant respect from the traditional type: usually they had no large initial corpus, but carried on their often substantial program with monies currently received.

Andrews also observed that the high tax levels resulting from World War II stimulated their formation.[19]

In Spring 1975, the Foundation Center published Edition 5 of The Foundation Directory, which itemizes about 25,000 foundations for which 1973 fiscal data are available. Descriptive information is provided for approximately 2,500 foundations with assets of $1 million or more.

Early in 1972, about 25,000 foundations listed by the Foundation Center had combined assets of $31.5 billion. Of these, 2,381 had assets of $1 million or more, and accounted for 92 percent of total assets of all foundations. More than half of the smaller foundations (assets of $1 million or less) had assets of under $50,000.[20]

Jack Magarrell investigated the effect of the decline in security values on foundations for *The Chronicle of Higher Education*. In the September 30, 1974, issue he reported that the drop in the market that year substantially reduced the value of the holdings of foundations. A sample of 22 of the larger foundations showed an average loss of 23 percent in assets during the year ending June 30, 1974, and substantial declines were reported for Carnegie, Ford, and Rockefeller. This is important because data in a subsequent section show that the Carnegie and Ford Foundations alone accounted for over three fourths of grants made to Spanish heritage organizations as reported between 1972 and the end of the first quarter in 1974. (See p. 1185.)

Although "contemplated reductions in foundation grants . . . generally are much more moderate than the foundations' loss in assets," according to Magarrell,[21] the largest foundation, Ford, announced on December 15, 1974, that it would reduce its grants over the next four years from $200 million to $100 million. McGeorge Bundy, the foundation's president, said that "the trustees wanted to get down to a level of grant support that we that we can sustain indefinitely," and "move away from our long-standing practice of using a portion of our capital assets for annual grants."[22]

Ford Foundation assets have declined from $4 billion 10 years ago to $2 billion at present, financial writer Milton Moskowitz reports in *The San Francisco Chronicle*, May 3, 1975. The erosion is due to the foundation's stock market losses.

Trends in Foundation Grant-Giving

The "Ten-Year Grants Index Table," published by the Foundation Center is a reasonably valid indication of the trend in grant-giving. (The year shown in the table does not necessarily reflect the year a grant was authorized or paid, but the year the Center obtained the information for publication in *Foundation News.)*

Ten-Year Grants Index
(in millions)

Field	Year 1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	Total	Percent
Education	$185	83	106	168	157	191	338	202	281	341	$2,060	33
Health	32	35	129	103	62	81	77	106	121	156	902	14
International	12	42	76	128	161	88	61	75	[illegible]	106	894	14
Welfare	20	24	88	106	81	82	74	152	136	176	861	13
Sciences	45	67	58	65	69	78	106	116	93	111	781	12
Humanities	16	66	59	39	117	36	72	37	52	103	582	9
Religion	5	5	29	51	36	24	23	41	51	73	333	5
	$315	326	556	689	661	579	751	677	793	1,066	$6,373	100

Source: The Foundation Center.

Note: A major program to increase minority opportunities in higher education was announced by the Ford Foundation in October 1971. The individual grants of the $100 million pledged will be published in the Grants Index as the Foundation's final program is determined. Another Ford program concerns various theater, dance and civic opera companies which received $8 million as cash reserve funds. These grants are listed individually in this issue under Music and Performing Arts. Ford noted that symphony orchestras had been omitted from this program since $80.2 million were given by the Foundation in this area in 1966. This multi-million amount shows up dramatically in the "Humanities" column of the ten-year table.

Data for this table originally consisted of "published reports of the large foundations, press releases, and newspaper clippings." Now the primary source of information is direct reporting by foundations on forms provided by the center. The center is currently compiling a comprehensive listing of grants available from new IRS reporting forms. The present table probably somewhat overstates the upward trend in grants.

Formulating satisfactory categories for major fields also presents problems. The center notes that

> ... no satisfactory system of dividing all human interests and activities into logical, nonoverlapping categories has been invented; and if it did exist, it would be ill-suited to foundation grants which are often interdisciplinary or oriented to agencies rather than fields. Decisions must often be subjective, following the intent of the donor or the judgment of the cataloguer.[23]

The percentage distribution among the fields is heavily influenced by large grants that are not likely to be repeated. Grants to the humanities, for example, were disproportionately high in 1963 because of a large gift to the Lincoln Center for the Performing Arts in New York, and in 1966 because of the Ford Foundation's gift of $85 million for symphony orchestras.[24]

Although the Foundation Center does not provide a formal definition of each field, it has created subcategories which indicate the type of activities or functions carried on within each field. These are particularly helpful in identifying the grant-giving trends. Included in data on grants in 1971 appearing in the January/February 1972 issue of *Foundation News*[25] are eight tables showing the dollar amounts and percentages allocated to these subcategories.

Education, which accounted for almost one third of grant monies in 1971, reflects foundation interest in higher education (47 percent of educational funds), buildings and equipment (13 percent), and elementary and secondary education (12 percent). Actually if "medical education" in the *health field*, "education" and "international studies" in the *international activities* field, and some of the subcategories in the fields of *sciences*, *humanities*, and *religion* were included here, educational grants would represent more than half of all grants made.

Welfare represented 16 percent of grants distributed in 1971. Welfare tends to be a catch-all category. One source of ambiguity is that one third of the distributions in 1971 went to "community funds" (local "United Ways") and these, in turn, were allocated to local agencies operating in a variety of service areas. The next largest portion of the welfare "pie" was disbursed to "youth agencies" (14 percent), followed by "recreation and conservation" (13 percent), then by "community development" (11 percent). Smaller proportions were disbursed to "race relations" (5 percent), "housing and transportation" (3 percent), and "delinquency and crime" (2 percent). *The Foundation Directory* states that "this field is underreported" due to frequent contributions made by family and company-sponsored foundations too small to be included. Andrews observes that in addition to grants to "traditional agencies" are those being made to "minority groups," and to organizations working with inner-city problems, serving consumer interests, and working on "control of pollution."[26]

Grant distributions to *Health* accounted for 15 percent of all grants made in 1971. Sixty-one percent went to "hospitals"; 22 percent to "medical education." Remaining subcategories were "mental health" (4 percent), "medical care and rehabilitation" (4 percent); "public health" (3 percent); "health agencies" (3 percent); "nursing" (2 percent); and "dentistry" (1 percent).

Sciences, International Activities, and *Humanities* each accounted for 10 percent of 1971 distributions.

Sciences divide into "physical sciences," "life sciences," and "social sciences." The latter received 36 percent of the sciences dollar, the bulk of which was used for research.

International Activities embraces "education" and "international studies," together accounting for 43 percent of 1971 international grants. "Technical assistance" received 21 percent, and "health and welfare" 17 percent.

The largest portion of the *Humanities* dollar went to "museums" (27 percent); "art and architecture," 21 percent, "music" and "performing arts," 17 percent each.

Religion accounted for 6 percent of 1971 grants; 60 percent went to "religious welfare."

Prior to 1969, when the Tax Reform Act placed more stringent limitations on foundation grant giving, the trends included grants to so-called controversial activities. In fact, allegations made during the congressional hearings on the TRA claimed that foundations were using their tax-exempt status to undermine governmental and other institutions through substantial grants of a controversial nature. This claim, however, is totally unsubstantiated. Indeed, an examination of the foundation trend to become involved with controversial issues begs the question: why did not foundations become *more* involved in activities which may include some risks, but which also may make needed contributions to change?

The Peterson Commission Report of 1970 presented the following data on the "Percentage of Foundation Grants, 1966-68, for Specified Purposes Considered Controversial by Some:"[27]

Specified Purpose	Percent of Total Foundation Grants
Voter registration and voter education	0.1
Studies of subjects directly related to public policy issues and for dissemination of such studies to the general public by publication or discussion	0.3
Community or neighborhood organizing of an ethnic, ghetto, or impoverished group	1.5
Grants to individuals employed by government or persons acting as assistants to government employees or related persons	*
Birth control	0.9
Sex education	*
Urban youth groups (including gangs)	1.3
Student organizations	0.8

*Less than 0.05 percent.

The sample design procedure for these data consisted of drawing a random sample of foundations from each of seven strata, one stratum for each size group based on assets (under $200,000; $200,000 - $1 million, $1 - 10 million; $10 - $100 million; over $100 million), one for company foundations, and one for community foundations. The smallest stratum sample was 23, the largest, 251; data were weighted in order to correlate with the size of the sample population. Data from the smaller foundations (assets under $10 million) were collected through face-to-face interviews, while data from the large foundations were obtained by questionnaire following telephone contact. The proportion of returns on each stratum sample varied from 17 percent for foundations with assets under $200,000 to 74 percent for those of over $100 million, so the direction of the bias is undeterminable.

Foundation Grants Compared With Federal Expenditures

No organized data exist specifically comparing the magnitude of foundation giving to specific fields or activities with public expenditures (federal, state, local). The only study identified in the literature search with any relevance was an analysis prepared by the National Planning Association for the Filer Commission which aimed at reflecting differences between the priorities of tax-exempt foundations and those of the federal government.[28] This report compared foundation and federal government outlays in five broad areas: arts and humanities, education, health, science, and social welfare.

The data for foundations were derived from a sample of foundations recorded in the Foundation Center's Grants Index for fiscal year 1973 as having given grants. It is stated that the sample "totaled $463 million or 65 percent of all grants reported . . . , and approximately 20 percent of the *Giving, USA* estimate for all foundation giving."[29] Federal data were obtained from the Office of Management and Budget's *Special Analyses, Budget of the U.S. Government, FY 1975,* The National Science Foundation, the Social Security Administration, and the National Endowments for the Arts and Humanities.

The data presented in this National Planning Association include overlapping data, since service areas are not mutually exclusive.[30]

	Estimated value of foundation grants (in millions)	Foundation spending as percent of federal spending
Education	$1,200	9%
Health	732	3
Science	387	2
Civic and Public Affairs	295	N/A
Arts and Humanities	229	212
Social Welfare	159	2

According to this yardstick, foundations are giving a disproportionately large part of their resources to the fields of "education" and "arts and humanities." Conversely, of course, it may be that that the federal government is spending too little, and that foundations are partially compensating for federal neglect.

Philanthropic contributions are another source of social improvement funding.

The American Association of Fund-Raising Counsel, Inc., prepares annual estimates of contributions for philanthropic purposes in the United States. Those for 1973 were included in the Counsel's publication, *Giving USA–1974 Annual Report.*[31]

	Contributions	
	Dollars (billions)	Percent
Living individuals	$18.16	74.0%
Bequests	3.06	12.5
Foundations	2.36	9.6
Corporations	95	3.9
Total	$24.53	100.0

The total of $24.5 billion represents only 1.9 percent of that year's Gross National Product of $1,289.1 billion. During the preceding 10 years philanthropic giving has never accounted for more than 2.0 percent of the GNP, nor less than 1.8 percent.[32]

Since foundation grants account for just under 10 percent of all contributions, their impact is related to the nature and quality of the projects they support rather than to the magnitude of their dollar contributions.

II

GRANTS DATA

Methodological Note

Empirical data detailing grants concerning selected ethnic minorities were obtained from the Foundation Center's Computerized Foundation Grants Index Data Bank. The data bank contains information as it was compiled for the 1972 and 1973 editions of the *Foundation Grants Index* and bi-monthly 1974 editions of the journal *Foundation News*. The file is selective, containing grant information received by the center primarily from the donating foundation. Participating foundations report directly to the center and use the center's "New Grant Authorized Form" (FC 102) for a detailed profile of the grant awarded. Occasional sources of information for the file other than foundation reporting include recipient reporting, news releases, press coverage, or annual reports. Individual grants are recorded in the data bank as the information is received, hence certain grants awarded or paid out in 1971 are reflected in the data for 1972. The data on individual grants include nearly 9,000 grants of $10,000 or more totalling $737,868,363 awarded by 781 foundations as reported in 1972, and over 8,000 grants of $5,000 or more (a change in policy for more comprehensive coverage) totalling $715,258,255 awarded by 236 foundations as reported for 1973.[33] Grants for 1974 were entered on a regular (bi-monthly) basis as reported.

There are certain limitations inherent in the data. The information in the data bank covers only a fraction of all grants made in a given year. While it represents a "good cross section of foundation giving," it is not a random sample.[34] Well-staffed, larger foundations with a proclivity to disclosure are overrepresented in relation to those without staff which are far less likely to provide the Foundation Center with the information requested on its forms. Small grants are not included in the data bank – in the 1972 data, grants under $10,000 are not represented and in 1973 a change in policy set cut-off criteria at $5,000 (a slight inconsistency in the data). Hence, a detailed or conclusive picture of foundation giving in particular areas is not possible. Only a partial outline of grants to rural minorities in the San Francisco Bay Area would be indicated, for example.

Given these constraints, our data are applicable only in eliciting general, not definitive, patterns of giving with regard to selected minorities. The short time span currently in the computerized files prohibits the possibility of trend analysis. The most important years for our purposes are those *before* as well as after the Tax Reform Act of 1969. That information is unlikely to become available in the foreseeable future. Nevertheless, the information in the data bank provides the best available source of data in existence during the course of this study. It is reliable and generally comprehensive in detail, if not complete in the aggregate.

The information herein will be rivaled in accuracy only by the compilation on Internal Revenue Service 990 records currently being undertaken by the Foundation Center. In that compilation for *The Foundation Directory, Edition 5 Grants File*, the center begins with 1971 private foundation information returns and updates as information is available from the IRS. The grants portion of the file covers 150,000 grants (for the years 1971 and 1972) awarded by foundations with assets of one million dollars or more (approximately 25,000 foundations). The center notes that

> . . . searches of this file for statistical purposes are superior [to the *Foundation Grants Index* file] since it is believed that the grants recorded in the *Foundation Directory, Edition 5 Grants File* account for approximately 90% of the total dollar value of foundation contributions within a given year.[35]

The computerized data bank information obtained for this analysis represents grants received by or awarded for the benefit of two categories of ethnic minorities – those of Spanish heritage and Asian Americans. The data elements possible for grants include the following:

1. Foundation Name
2. Foundation State
3. Recipient Organization
4. Unit of Recipient Organization
5. Type of Organization
6. Recipient City
7. Recipient State/Country
8. Full Amount Authorized
9. Date of Authorization
10. Duration of Funding
11. Description of Grant
12. Population Group to Receive Benefit
13. Phase of Activity
14. Site(s) of Activity *Other* Than Recipient Location
15. Program, Geographic, or Other Limitations
16. Sources of Further Information[36]

However, the only data listed for *each* grant are foundation name and state location, the amount authorized, and recipient name and location. Therefore, certain desirable information, such as program purpose, geographical region served by grant, and population group to receive benefit may be unavailable. Such gaps create some vagueness and ambiguity in the data.

Many foundation grants that do not appear in our data are awarded to groups for purposes which have beneficial impact upon ethnic minority populations. Our approach of focusing on grants specifically benefiting minorities is justified as a strong indication or measure of the amount of recognition and concern for unique minority needs exhibited by foundations.

An important variable used in our tabulation is that of ethnicity or non-ethnicity of recipient groups in order to discover what proportion of the funds *which are given specifically to impact upon ethnic minorities* is controlled by minorities. Our intention in part is to measure the sensitivity with which funds are distributed. The measurement is necessarily rough. On a micro level it says little about the intentions or responsiveness of individual foundations: possible alternative minority recipient groups in a given geographical area or topical specialty may not exist or may not have obtained nonprofit or public charity legal status. On an aggregate level, however, certain broad patterns of foundation giving to non-ethnic recipient groups for minority programs emerge.

Variables other than the ethnicity and non-ethnicity of recipient groups which are analyzed include geographic coverage of grants, the field of service grants, specified minority groups designated as recipients and specified foundations acting as donors.

Grant-Giving Patterns to Programs Benefiting Domestic Spanish Heritage Populations

The term "Spanish heritage" in our study is an umbrella phrase used to cover a variety of domestic ethnic groups including *Chicano* or Mexican American, *Cuban*, and *Puerto Rican*. (Grants tabulated include only those to Puerto Rican beneficiaries in the 50 states, not those flowing directly to Puerto Rico.) *Spanish Speaking* is a term used with no great exactitude by various foundations to mean anyone or several of the preceding or other Hispanic groups. In addition we have categorized as *Mixed* recipient and beneficiary groups which include one (or more) Spanish heritage group and/or other groups such as Indian, Black, Chinese, Italian, White and "other" unspecified minority groups.

The total number of grants reported for the benefit of Spanish heritage groups in the years 1972 through March 1974, was 217 from 73 foundations, with a total dollar value of $11,557,490. This figure represents 0.8 percent of the total value of grants given to all recipient agencies in the years 1972 and 1973. (All figures refer to data bank tabulations from the *Foundation Grants Index* unless otherwise specified.) According to the U.S. Census, the Spanish heritage population is 5 percent of the total population of the U.S. As a basis of comparison, grants relating to international Spanish Speaking populations and area studies of the same non-domestic populations represented 5 percent of all foundation grants ($59,952,407) [this figure includes $1,347,982 awarded to various agencies in Puerto Rico] or five times the amount awarded to domestic Spanish heritage populations.

The average grant received to benefit Spanish heritage minorities was $53,260 as compared with an overall two-year average for all groups combined of $85,588 – equivalent to a ratio of three to five.

Eighty-five grants or 39 percent of the total number were allocated to minority recipient agencies – those organizations actually controlled by minorities. Fifty-five percent of the total number, 119 grants, was allocated to various types of broker agencies not controlled by minorities. (The total percent is less than one hundred here and elsewhere as the difference is made up by recipient agencies in which the ethnicity could not be determined.) Minority recipient agencies received 44 percent of the total dollar value awarded to Spanish heritage beneficiaries while non-minority agencies received 53 percent of the total. The median grant received by minority agencies was $15,000 and by non-minority agencies was $15,200. (Data in this discussion are derived from Tables A-1 through A-5 in the Appendix with the exception of certain details evidenced in the data but not shown, such as median grants.)

The largest portion of grant monies went to Chicano beneficiaries, at 40 percent, Puerto Rican beneficiaries received 19 percent, Mixed 20 percent, and Spanish Speaking 13 percent. The funds which flowed specifically to Cuban beneficiaries were negligible.

Of the total funds that went to minority recipient agencies, Chicano groups received the lion's share of 62 percent. Puerto Rican groups received 24 percent of the minority agency funds. Together the Chicano and Puerto Rican groups accounted for more than four fifths of the foundation grant money controlled by Spanish heritage ethnics. Non-minority grantees predominated in the "Mixed" and "Spanish Speaking" categories. Sixty-nine percent of the funds for a mixed clientele was received by non-minority agencies, as was 75 percent of funds earmarked for groups labeled as "Spanish Speaking." The small amount ($50,000) directed toward Cuban beneficiaries was received by a non-minority organization. Figure 1 depicts the proportion of total funds geared to Spanish heritage minorities as they are controlled either by non-minority interests or by Chicano, Puerto Rican, Spanish Speaking or Mixed organizations.

As evidenced in Table A-2, only 73 foundations contributed to the total Spanish heritage figure. The number of grants which individual foundations gave to Spanish heritage beneficiaries is sharply weighted on the low end of the frequency scale, indicating many one time grants and little heavy commitment, as shown in Figure 2. The vast majority of foundations give only one or two grants for this purpose.

Figure 1

Percent of Total Grant Monies to Spanish Heritage Ethnic Beneficiaries as Controlled by Types of Recipient Agencies

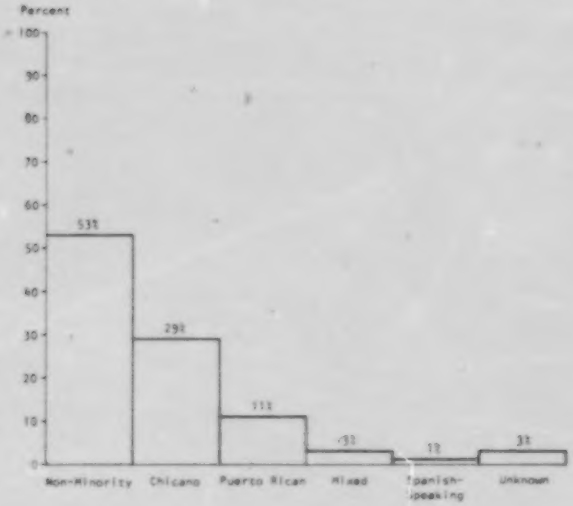
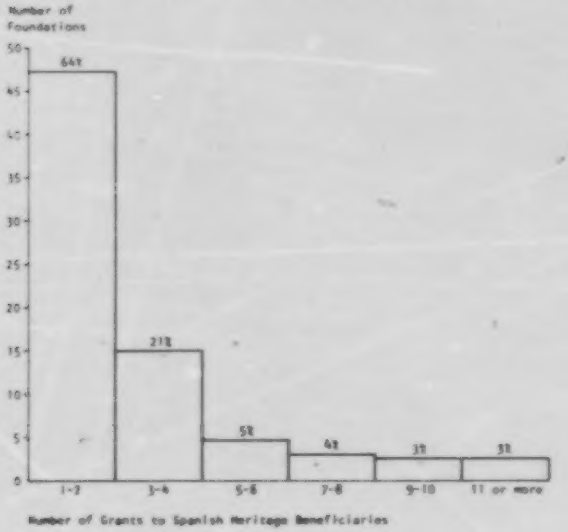


Figure 2

Frequency of Individual Foundations Contributing to Spanish Heritage Beneficiary Programs According to Number of Grants

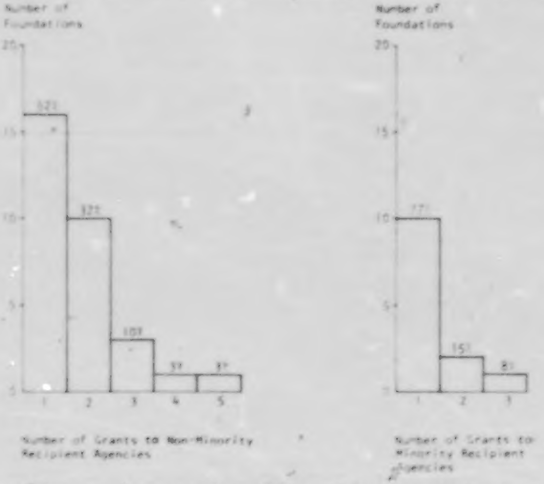


Fifty-four foundations awarded grants to non-minority groups and 37 to minority groups. Chicano minority recipient agencies received funds from 15 foundations. Puerto Rican recipient groups from 25, Spanish Speaking groups from 4, and Mixed groups from 3.

Thirty-one contributing foundations, or 42 percent of the total, awarded funds solely to non-minority agencies and 13, or 18 percent of the total, solely to minority grantees. Figure 3 details the frequency of grants awarded by foundations contributing solely to one group or the other.

Figure 3

Frequency of Individual Foundations Contributing Solely to Non-Minority recipient Agencies and Solely to Minority Recipient Agencies According to Number of Grants for Spanish Heritage Beneficiary Programs



The data are of interest because three fifths of the foundations awarding grants to aid Spanish heritage populations were totally supportive of one type of recipient as opposed to the other. In essence, the small percentage of foundations giving only to minority agencies gave but one grant. Of the much larger percentage of foundations supporting *only* broker groups nearly one half gave more than one grant.

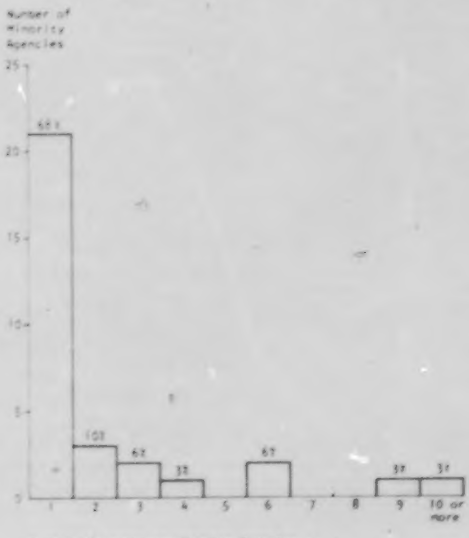
The Ford Foundation exerts an inordinate amount of influence on the overall dollar value analysis. Of the total amount of monies given to benefit Spanish heritage populations, Ford gave $5,586,844 or 48 percent; it gave $3,045,000 or 60 percent of all funds to minority organizations; and $2,541,844 or 42 percent of all funds to non-minority agencies. In addition it was the largest contributor to Puerto Rican recipient agencies and to Chicano recipient agencies, accounting for 77 percent of funds to the latter. Since Chicano group grantees represented 62 percent of all monies obtained by ethnic recipients, Ford giving will represent a bias as we discuss general foundation effort on behalf of minority groups and the overall concern of foundations for cultural hospitality and nonpaternalistic standards of giving. Ford is unique not only as the largest foundation (whether measured by the size of its assets or the value of grant distribution), but also in the amount of grants made to ethnic minorities, and particularly to Chicano beneficiaries. Ford policies and programs relating to ethnic minorities are described in this report in the sections which follow.

The second largest contributor to Spanish heritage minority beneficiaries, the Carnegie Corporation of New York, awarded 11 percent of the total grant monies — 16 percent of the total given to minority groups and 8 percent of the total to non-minority groups. It was also the second largest grantor to Chicano and Puerto Rican groups.

A glance at the rankings given to the foundations (Table A-2) on the basis of amount of money awarded to the three categories (Total, Total Minority, Total Non-Minority) shows some dramatic contrasts indicating interest or non-interest in ethnic recipient groups. (Foundations were ranked in descending order according to size of grant awards. Ranking in "total" column applies to the 20 foundations making the largest awards, and in the other column to the 10 foundations making the largest awards.) The San Francisco Foundation, for example, moved from a ranking 20 in overall funding level, up to 7 in sponsorship of minorities. The Luce (H.) Foundation likewise moved from 17 to 8. The Commonwealth Fund, on the other hand, changed from a ranking of three to unregistered in the minority category, and Lilly Endowment similarly changed from eight to unregistered.

Table A-3 distinguishes among the Spanish heritage minority groups which were awarded foundation funds. In terms of grant numbers Aspira and Aspira affiliates garnered 27, or 32 percent of all grants given to Spanish heritage minority organizations. The average grant awarded to Aspira was $31,093, well above the median of $15,000 though below the average grant to minority recipients of $59,826. The Aspira grants represented only 17 percent of the dollar value of total monies to minority agencies, however. The National Council of La Raza (formerly the Southwest Council of La Raza) and its affiliates (including the Southwest Council of La Raza, the Spanish Speaking Unity Council and Chicanos por la Causa) with 9 grants acquired 49 percent of minority monies – the largest percentage, representing an average grant of $274,587 – far above both the average and the median. The Mexican American Legal Defense Fund and the Mexican American Legal Defense and Educational Fund received 6 grants at an average of $75,150 per grant for 9 percent of total minority funds. Together these three groups of organizations represent nearly three fourths of all funds for Spanish heritage minority groups. Although there is a pronounced concentration of monies among minority recipients, few organizations received more than one grant over the period studied. The frequency of agencies receiving more than one grant drops off sharply as illustrated in Figure 4. (Each of the affiliated agencies discussed previously are treated as one agency in the figure.)

Figure 4
Frequency of Spanish Heritage Minority Recipient Agencies According to Number of Grants Received



Of the category of organizations receiving more than four grants, the three affiliated groups discussed above accounted for 75 percent. The Aspira group has a diversified funding base with 17 foundations represented among its contributors. Ford accounts for 31 percent of its funds. The National Council of La Raza and its affiliates on the other hand are almost totally supported by Ford with only one other foundation (Rosenberg) giving a relatively small grant. Ford represents nearly 100 percent of the Council of La Raza's funding sources. The Mexican American Legal Defense and Educational Fund received grants from four foundations.

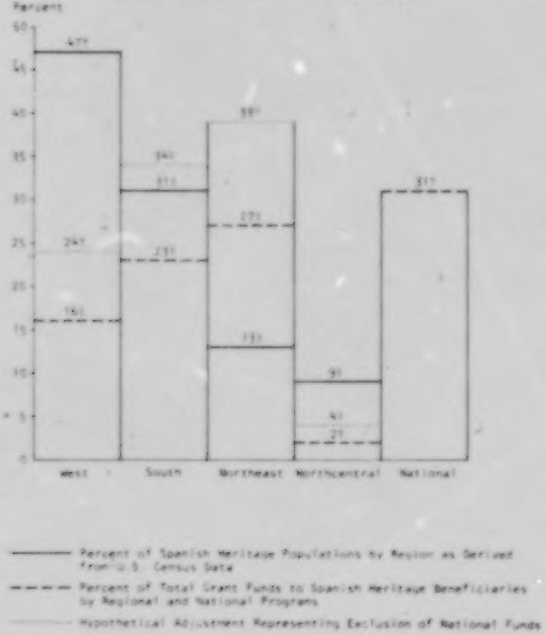
Table A-4 indicates into which field of service funds for Spanish heritage groups were allocated. Forty-nine percent of the total grant monies went to the field of education. Twelve percent of total grant monies went to "technical assistance and development" – the next largest area (other than "two or more fields of service") – a field of crucial importance to minority groups attempting to increase their viability and growth potential. Eighty percent of all technical assistance and development funds was awarded to minority recipient agencies. Welfare represents only 10 percent of the total grants awarded, but 56 percent of those funds are administered by minority groups. Only 16 percent of funds given for educational purposes is controlled by minority groups. While 85 percent of the funds awarded for "legal services" is minority controlled, it represents only 3 percent of total funds. From a different perspective, of the funds contributed directly to minority groups, only 6 percent went to legal services, though 20 percent went to technical assistance and development and another 20 percent to educational programs.

Table A-5 categorizes the dollar value of grants by geographical region of the U.S. (as defined by U.S. Census data[37]) and ethnicity of beneficiary groups. Part B also notes the aggregate funds going to urban and rural areas and state, regional, local, and national areas. The largest proportion of total grant value, or 31 percent, went to national programs. (A grant was designated as "national" if the program was specified as national in scope or the implication was clear due to the nature of the recipient agency or the grant description. In addition scholarship and other university programs concerning minorities were designated as national unless a clearly local interest was indicated.)

According to the U.S. census 13 percent of the total Spanish heritage population in the U.S. is located in the Northeast. However, 27 percent of the funds allocated to Spanish heritage populations from foundations goes to the Northeast. Thirty-one percent of the total Spanish heritage population is located in the South (which includes Texas) but only 23 percent of foundation funds to the Spanish heritage population is contributed to the South. We have already noted the sparseness of grants to Cuban groups and programs. While 47 percent of the Spanish heritage population resides in the West only 16 percent of total funds were allocated to the West.[38] If the national funds are excluded in calculating the ratios between regions, of the regional total of $7,953,290, the West receives 24 percent of the funds, the South 34 percent, the Northeast 39 percent and North Central region 4 percent. (See Figure 5.)

It is obvious that a disproportionate share of foundation funds are spent in the Northeast where a large number of foundations are located. However, while the disparity remains between the Northeast and Southwest, a calculation based on the Southwestern states diminishes the discrepancy between the population of that area and allocation. The five Southwestern states of Arizona, California, Colorado, New Mexico, and Texas, which are frequently cited as a geographical unit of analysis for studying Spanish Speaking minorities, account for approximately 50 percent of the U.S. Spanish-heritage population.[39] (The Census Bureau used a measure of "Spanish-surname" persons to identify the group in the five Southwestern states. The Spanish-heritage figure for the total population is derived from a variety of measures including Spanish surname. These figures have been challenged on the basis on underenumeration of the Spanish heritage minority group.) The grants awarded to those states amounted to $3,772,243 and represented approximately 33 percent of total funds and 47 percent of all non-national funds to Spanish heritage beneficiaries. However, there

Figure 5
Distribution of Grant Funds to Spanish Heritage Population By Regional and National Programs Compared with Distribution of Spanish Heritage Population by Region



is an inordinately heavy reliance on The Ford Foundation. It accounted for 100 percent of all non-national grants to Arizona, 80 percent to California, 45 percent to New Mexico, and 34 percent to Texas for an overall rate of 56 percent. This reflects again the low level of access and visibility of minorities outside of the Northeast to the vast majority of foundations.

Grant-Giving Patterns to Programs Benefiting Domestic Asian American Populations

Asian American beneficiary populations are subcategorized as *Chinese American, Japanese American, Korean American, Filipino, Asian American* (a non-specific or general category used by some foundations in awarding certain grants), and *Mixed* representing one or more Asian groups and/or other ethnic, minority or white groups. The total amount of grants reported from 1972 through August 1974 as benefiting Asian groups is so small – $1,243,940 or 0.1 percent (as opposed to 0.6 percent of the population) of the total reported in the Foundation Grant Index for 1972 and 1973 – that the analysis can easily become biased. (A grant to Harvard University from the Ford Foundation of $43,600 was awarded to Japanese American professors at Harvard for a study of future needs of management education in Japan. The grant was categorized as benefiting Asian Americans in the "other" Massachusetts locality, through a non-minority recipient agency, in the field of technical assistance, development. Because Ford made an unusual effort to involve ethnics in such an area study the award was categorized as benefiting Japanese Americans. However, the grant is unique in that it represents the *total* amount of funding to any Japanese American program reported, and it must be considered in that light.

Grants to the Chinatown/North Beach District Council, S.F., benefiting Chinese Americans were categorized as awarded to a Chinese American recipient agency, though the Council is actually mixed.

A grant to Break Free, Inc., N.Y.C., of $50,000 benefiting mainly Chinese Americans was categorized as awarded to a Chinese American recipient agency for the benefit of Chinese Americans. Break Free, Inc., is an ethnically mixed organization with a mixed clientele; the largest percentage of the clientele and organization composition, however (35 percent), is Chinese American.

A grant to the University of Massachusetts, Boston, from the Ford Foundation for a "program which trains experienced teachers and administrators to implement bilingual public education for children from Spanish-, Italian-, and Chinese-speaking homes, to develop new forms of instruction for parochial schools, and to design instructional programs for a new open space elementary school" was categorized as benefiting a mixed population through a non-minority recipient agency.)

The total grants reported for Asian programs was 42 with 15 grants awarded to ethnic beneficiaries and 27 to non-minority agencies. (Data in this discussion are derived from Tables A-6 through A-11 in the Appendix with the exception of certain details evidenced in the data but not shown, such as median grants.) The average grant to all Asian beneficiaries was $29,618 and to Asian minority recipients was $17,953. Both figures are far below the average of the total of all grants in 1972 and 1973. The median grant for Asian minority recipient agencies is $15,000 and for non-minority agencies is $20,000.

The funds benefiting Asian groups (see Table A-6) flow overwhelmingly to Chinese beneficiaries. Figure 6 depicts the proportion of all funds allocated to each group, as well as a rough adjusted calculation which subtracts two thirds of the University of Massachusetts grant and one half of the other four "mixed" grants from appropriate totals. (Because the University of Massachusetts grant is so large in relation to total giving, and because the entire grant is not awarded for bilingual programs, occasional adjustments – the grant is decreased by two thirds – are made in the analysis where it seemed necessary or desirable. The other four grants in the "mixed" beneficiary group, though not as extreme, will also be adjusted by half in certain instances.)

The adjusted gross depicts dramatically the fact that when we speak of Asian Americans in relation to grantsmanship, groups other than Chinese American are statistically almost negligible.

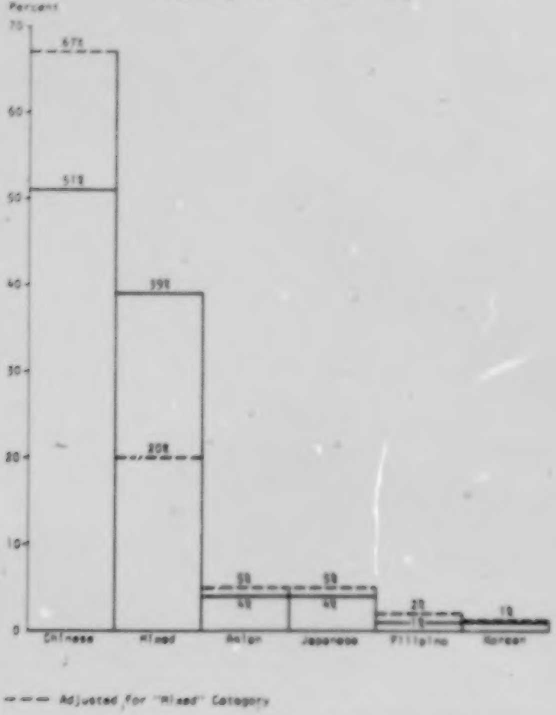
Only 22 percent of the funds for Asian minority groups are controlled by ethnic agencies. Seventy-eight percent flows to broker groups. Chinese American groups receive only 18 percent of total Asian funds (24 percent of "adjusted" totals – see Figure 7) though 85 percent of minority controlled funds are awarded to Chinese American groups. Figure 7 illustrates the flow of grant monies to Asian beneficiaries by type of recipient group.

Table A-7 depicts the relationship of individual foundations to Asian groups. Seventeen foundations were represented as responsive to Asian needs. Nine contributed to minority recipient agencies and 14 to non-minority organizations. Of the 9 foundations awarding funds to minority controlled groups, 77 percent gave only one grant; and of the 14 giving to non-minorities, 50 percent allocated only one grant. Of the total 17 foundations which gave to Asian beneficiaries, 65 percent awarded only one or two grants in the two and one-half year period. Nine foundations or 21 percent of the total awarded funds solely to non-minority agencies, and three or 7 percent of the total, solely to minority grantees.

The Ford Foundation was once again in the forefront of those giving to ethnic concerns. When an adjustment is made for the University of Massachusetts grant, Ford drops only to second place, behind the San Francisco Foundation. However, Ford gave no Asian grants to Asian membership groups. The San Francisco Foundation contributed six such grants and ranks first in that category. Other notable rank

Figure 8

Distribution and Hypothetical Adjusted Distribution of Grant Funds By Ethnicity of Asian Beneficiary



changes include the Luce (H.) Foundation which moved from seventh place in the total category to second in the ranks of foundations contributing most heavily to minority groups. The Akbar Fund also moved upward from tenth to third place.

Table A-8 describes the minority recipient organizations which were able to obtain grants from foundations. Only two agencies were able to solicit more than one grant – the Asian Law Caucus, San Francisco, and the Chinatown/North Beach District Council, San Francisco – both received two awards. The largest single grant, to Break Free, Inc., represented only $50,000.

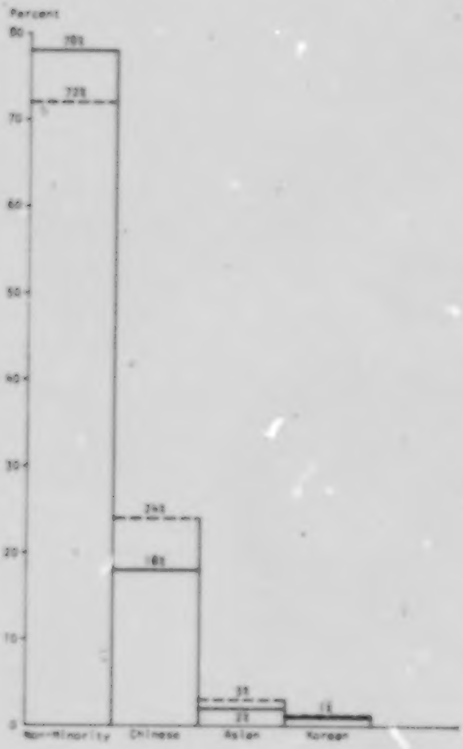
Table A-9 categorizes grants made according to field of service and ethnicity or non-ethnicity or recipient agencies. Fifty-five percent of the total funding level was allocated to education and research programs including 30 percent to community programs such as language and family planning education and 12 percent to Asian American studies programs. Twenty-one percent of the total was given to welfare projects.

Fifty-two percent of the minority agency dollar was used for educational programs including 18 percent to Asian American Studies. All of the funds for "Legal Services" were obtained by minority agencies, but none of the funds for technical assistance and development. Thirty-four percent of the Asian American Studies dollar was obtained by minority groups, but only 8 percent of the educational community programs portion went to such groups.

Table A-10 illustrates the geographic distribution of foundation dollars for Asian beneficiaries and once again the proportions are heavily skewed in favor of the Northeast. Figure 8 superimposes U.S. Census data concerning the percent of total Chinese

Figure 7

Percent of Total Grant Monies to Asian Beneficiaries as Controlled by Types of Recipient Agencies



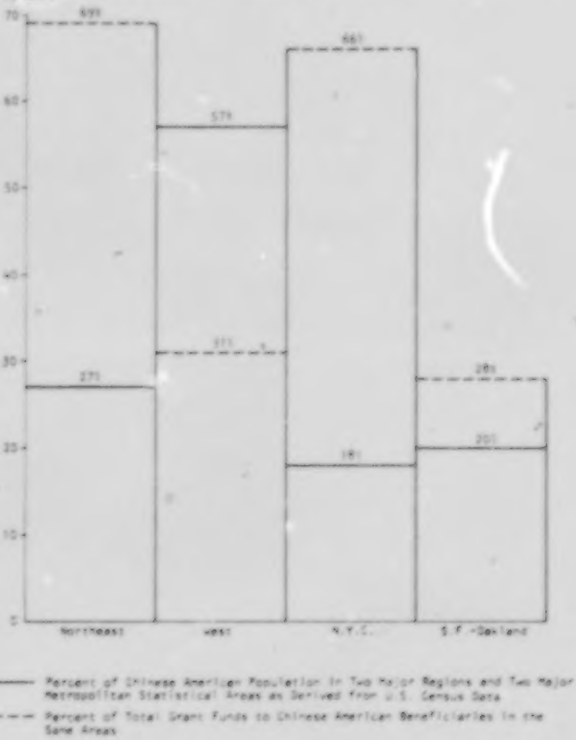
Americans residing in selected regional and urban areas, onto the percent of total funds benefiting Chinese Americans in the same selected areas.

As can be seen, not only are the foundation funds for Chinese beneficiaries concentrated in the East, but also in New York City. While only 18 percent of the population of Chinese Americans resides in New York City 66 percent or two thirds of foundation funds for Chinese Americans is distributed there.[40]

It is interesting to note that while domestic Asian groups received such a small (0.1) percent of foundation grants, international Asian programs (including international or area (Eastern) studies in American Universities as well as various programs aimed at Asian and Pacific countries – including India, Australia, and Pakistan) received 3 percent of total funds ($44,624,113). In other words, international and international study Asian programs received over 30 times more monies from American foundations than domestic Asian programs. Table A-11 gives a detailed breakdown of the field of service for which international Asian grants are allocated. Thirty-four percent of the total is spent on area studies. Fifty-two percent of the funds is spent on other educational and research programs in Asian countries. In total, the broad educational category accounts for 86 percent of international Asian funds.

Figure 8

Distribution of Grant Funds to Chinese American Beneficiaries by Two Regions and Two Metropolitan Statistical Areas Compared with Distribution of Chinese American Population by the Same Areas



Summary

Although the data base is imperfect, certain patterns are manifested so strongly as to suggest biases and disparities in grant distribution.

Total grants directed in all program areas to the benefit of specified minorities represented less than 1 percent of all grant monies in the data base – though the same groups account for nearly 6 percent of the population. On the other hand, foundations supported programs related to Asian and Latin populations outside the United States at a much higher rate. Given the well-documented needs and discriminatory problems faced by minorities, their share of foundation funds seems woefully inadequate.

Similarly, the number of foundations which have expressed interest in the concerns of ethnic minorities by contributing tangible aid is, relatively speaking, very small. Only 75 foundations were represented in the combined analysis. (All but two foundations which allocated funds to Asian beneficiaries also allocated funds to Spanish heritage beneficiaries.) Of those foundations which did contribute to minority beneficiaries the great majority gave only one or two grants over a two-year period. The implication is that there is a disproportionate number of scattered grants and little consistent commitment on the part of foundations. On the other hand, one foundation, Ford, contributed so heavily relative to other foundations that a general picture of minority-related grant-making patterns is inordinately influenced by its decisions.

The data strongly indicate that paternalistic grant-making rather than cultural hospitality predominates among foundations interested in the concerns of the minorities studied. Fifty-three percent of Spanish heritage funds and 78 percent of Asian funds were administered by white or non-ethnic/racial minority "broker" agencies acting as middlemen for minority beneficiaries. Many foundations contributed solely to non-minority recipient agencies.

Our analysis also revealed a need for foundations to offer greater access and technical assistance to groups and agencies removed from the locus of greatest foundation concentration in the Northeast. While only 13 percent of the total Spanish heritage population resides in the Northeast, 27 percent of total funds and 39 percent of non-national funds were allocated to that region. Forty-seven percent of the Spanish heritage population is located in the West, though only 24 percent of non-national funds flowed there. The Southwest achieved near parity with its population proportion, but the reliance on The Ford Foundation is inordinately heavy – a factor indicating difficulty in attaining access to other foundations. Aspira and its affiliates in the Northeast received funds from 17 foundations and relied on Ford for less than a third of its monies. The National Council of La Raza and its affiliates received funds from only 2 foundations, with over 99 percent coming from Ford. Asian grant-making patterns show a startling bias in favor of the Northeast. Sixty-six percent of all grant funds flowed to New York City which has 18 percent of the total Asian population.

The most heavily favored field of service for the distribution of funds to the minority interests was education – accounting for approximately half of total funding. While educational programs are vitally important, they are not generally controlled by minority groups nor are they oriented to system-changing efforts.

Lastly, certain groups of ethnic minorities in our study remain virtually unrecognized by foundations. In particular, Japanese, Korean, and Filipino populations have status neither as recipients nor as beneficiaries if measured by the paucity of grants directed to those groups as shown in the data.

III

AMERICAN PHILANTHROPY AND THE PUBLIC INTEREST

Rationale For Private Foundations – General Policy Issues

As the preceding discussion showed, governmental institutions, particularly on the federal level, dominate most program areas once ministered solely by private philanthropy. The massive presence of the federal government in social policy areas has caused a fundamental shift in the role and rationale of private philanthropic organizations, including foundations, in contemporary society. Whereas the previous justification for private foundations rested comfortably on their seeming indispensability, commensurate with the importance of their social role, current rationales must rely on more subtle supportive pillars. There is a more or less pervasive doubt that private foundations are now necessary. This is reflected in the comment of one public official that foundations not be considered "essential" to American society, but rather "desirable."[41] Recent entanglements with the public sector have underscored the dimensions of the issues raised – areas of foundation activity have been partially proscribed and claims have been made on monies formerly controlled only by foundations.

The two broad philosophical questions which may be raised in this regard concerning private foundations, and around which basic discussions may be conducted, are those of *relevance* and *legitimacy*. In the face of pervasive governmental activity, what significant contributions are foundations uniquely equipped to offer American society which justify their protected existence; i.e., how do they relate to today's society? Given current democratic mechanisms to distribute funds in the "public interest," how are foundations, which have an essentially elitist mechanism for accumulating and distributing tax-protected funds for the "collective good," made legitimate?

A measure of the seriousness of the issues facing foundations today is precisely that the underlying justification for their existence has been attacked; it is no longer obvious that they fulfill unmet needs in a manner which is better or even markedly different from public mechanisms. A frequent defense of foundation relevance is that they can uniquely act innovatively, flexibly, efficiently, and independently. The case for the legitimacy of foundations is based on the traditional intrinsic value placed on pluralism, diversity, the concepts of voluntarism and private initiatives. A later section will analyze these issues as they bear upon minority interests.

The legal-conceptual base of foundations is often praised for the maximum freedom it allows for innovation. Given generally the restrictions of a donor's wishes (which may be abrogated if outmoded), a foundation has great latitude to commit resources to untried areas without being bound by past constraints. It can act as the much mentioned "cutting edge" of social change. Conversely, in the opinion of certain observers of governmental processes, one of the most significant variables affecting the nature of budget decision making in the public sector is those commitments which have already been made in the *past;* a process which has been aptly named "incrementalism." (See e.g., Aaron Wildavsky, *Politics of the Budgetary Process,* 2nd ed., Little Brown, Boston, 1974.)

Concomitantly, an advantage of foundations consistently applauded in the literature is that of "flexibility," the ability to mobilize rapidly and to respond imaginatively to diverse or controversial conditions because of the lack of external constituencies and the freedom from internal operating compulsions.

Foundations do not lack structural restraints, but they are relatively and uniquely free from pressures facing government and operating agencies. A foundation need not raise money for internal support, need not satisfy "voters, customers, or advertisers," need not fear failure or be obligated to duplicate success. It may tread in controversial areas without prior approval and (within boundaries) without adverse consequence. Fritz Heimann argues that the public criticism to which foundations are subjected represents a different order of constraint. He sees

> . . . a basic difference between having to earn the active and continuing support of outside constituencies to remain in existence, and having to avoid activities which could trigger widespread opposition. The latter is at most a negative discipline.[42]

Whether the "negative discipline" is a major or minor factor in foundation activity will be discussed in a later section. Suffice it to say that foundations can exhibit the conservative and inflexible tendencies manifested by other institutions regardless of their special circumstances.

Another issue area cites foundations' superior efficiency in programmatic activity as opposed to the cost/benefit ratio of governmental programs. The stereotypical new government program is often depicted as spawning insatiable bureaucracies not easily managed. On the other hand, serious evaluations of foundation performance vis-a-vis governmental efforts are difficult or impossible to undertake adequately.

As one observer noted:

> . . . there is no way of giving a totally objective or definitive answer to the questions of private philanthropy's overall worth or efficiency, either when measured by its own aspirations or when compared with government's present or future capacity to do the same things with the same money.[43]

The capacity of foundations to act independently of government and, potentially, as critics of government is a further justification of private philanthropic initiatives. As to the relative performance of government versus foundations, one critic says:

> . . . the value of private philanthropy lies . . . in the fact that it exists and is available to a public that chronically needs something more than government always and alone can provide.[44]

An indepth analysis of the foundation role as public policy critic will appear in a later chapter. The arguments here are offered as theoretical statements depicting possible – not actual – behavior by foundations as a class.

More basic, normative concepts are raised by the question of the legitimacy of private foundations within a democratic context. While the term "pluralism" (referring to private initiatives) is used so frequently and mechanically in philanthropic literature that it has reached the point of incantation, it still represents a vital strain of theory and action in American life. The converse of an acceptance (or encouragement) of private definitions and actions for the community good is a premise that "elected representatives of the people alone should decide what is for the benefit of the community."[45] The appeal of such a proposition lies in its attack upon the aspects of elitism and paternalism which are intrinsic elements of private philanthropy. The very nonaccountability which allows decision-making flexibility is the same property which brands all private decisions for the "public" good suspect. Nevertheless, in spite of trends against the tradition of philanthropic liberalism, the implied alternative, monopolistic public control of all social welfare decisions, remains a dubious scenario.

In conjunction with the argument which recognizes pluralism in the form of private philanthropy as an important aspect of a collective and democratic society on a broad scale is the assumption that individual voluntarism and private initiative are essential traits to be fostered on a personal scale. The Peterson Commission gave special importance to the meaning of voluntarism in its justification of a dual system of resource allocation for the general welfare. As the commission reported,

> We believe that a society which encourages a sense among its citizens that they have a reciprocal responsibility for themselves and for others strengthens its own fabric – whereas a society which spurs every man to live in and for himself alone weakens the society by weakening the bonds of fraternity.[46]

Another recent expression of the rationale for foundations and private philanthropy embraced similar premises, again without reference to performance criteria. It emphasized:

> The importance of encouraging voluntarism in the satisfying of social needs, of maintaining the human, empathetic feeling of personal responsibility in the face of social needs.
>
> The wisdom of decentralization, down to the local grass roots, of some portion of the tasks of providing our educational, cultural, charitable services.
>
> The usefulness of having available some alternatives to many Government services, even when these Government services may be universally accepted as the norm.[47]

Public Policy and Tax Incentives for Private Philanthropy

Charitable organizations, including private foundations, have long been supported in their claims of legitimacy and relevancy by a policy of specialized tax incentives and minimal regulatory control designed to encourage private philanthropy. The "relatively generous tax treatment which, up to now, the government has accorded foundations . . . may be said to have stimulated the growth of foundations both in number and in assets."[48] Historically, the two kinds of specialized tax treatment afforded philanthropic institutions are the charitable contribution deduction and tax exemption of charitable income. Without the encouragement of such tax incentives, current giving levels would not be maintained. Private foundations benefit from both principles, but the foundations' privileged position has begun to erode on two fronts – from the attack on the incentives as they pertain to philanthropy generally, and from the increasingly detrimental distinction made between foundations and other charitable institutions.

The concepts of the income tax deduction for charitable contributions and tax exemption of the income of charitable organizations historically became law on the basis of useful purpose or performance criteria. More recently, they have been defended on the basis of the inherent legitimacy of private philanthropy because of its stimulation of pluralism and voluntarism. The theory of taxation which most seriously threatens the historical prerogatives of philanthropy and private foundations extends the first premise and undermines the second by treating charitable exemptions, deductions, and exclusions from taxation as equivalent to governmental subsidies or expenditures. Hence, the funds which private charitable institutions control are considered not private but rather "public funds" which are consequently subject to regulation and taxation. The forces behind such theories have had some success because many people are unsympathetic to or unaware of the rationale in support of tax privilege, because of past abuses, and also (perhaps principally) because of strong pressures on government for increasing revenues.[49]

The charitable contribution deduction has been particularly vulnerable to attack. One school of thought sees charitable donations as simply another consumer expenditure expressing private preferences which should not merit deferential tax treatment. The argument is based on the assumption that such deductions represent a public subsidy for essentially personal expenditures and therefore mar the rationality of the tax system. A frequently expressed second objection is concerned with the alleged inequity built into the structural incentive mechanisms. Thus, the charitable deduction is typically attacked as a "loophole" on the grounds that it economically benefits high-income taxpayers more than low-income taxpayers.[50] The wealthy are said to reap higher benefits while concomitantly executing disproportionate influence on the ultimate distribution of charitable funds. That is illustrated by:

> X and Y, who give the same amount to charity but get different tax allowances for their gifts because X has more adjusted gross income than Y and hence is subject to a higher marginal tax rate. It is asserted that X is thereby given an "upside-down" subsidy, because his deduction is "worth more" than Y's.[51]

Arguments over this line of thinking are many and complex. At the root is a difference in outlook on a basic question of achieving equity. On the one hand are those who see the benefit accruing to the wealthy taxpayer who diminishes his tax base and has less to lose, perhaps something to gain, by making contributions. On the other are those who hold that "the charitable deduction is not a loophole. The gift gives the taxpayer no benefit. Rather the beneficiary is the recipient institution and the people it serves."[52] In the same vein, objections are made to the special treatment accorded charitable contributions of appreciated property. Within certain limitations a taxpayer may contribute a gift of property other than cash and claim the current market value as the deduction rather than the original cost to the donor. Critics contend that

> . . . the taxpayers who have appreciated property, and who are thus in a position to take advantage of this option, are those in the top income brackets. These individuals, it is said, not only get the "benefit" of a reduction in taxes on their ordinary incomes which is taxed at the highest end of the rate structure, they also avoid paying taxes on the capital gains which would have been due if they sold their properties instead of giving them to charity. Further, it is claimed that in practice such gifts typically involve property for which the tax basis (or cost) is very low, perhaps even zero, and that in such cases it is possible "to make money by giving it away."[53]

A third argument against the charitable deduction casts doubt upon the effectiveness of its purported *raison d'etre*, as an incentive for individual giving. Some monies, it is claimed, would be donated with or without a tax incentive and are therefore tax-break "windfalls" to the donor.

Each argument against tax privileges for private philanthropy has been carefully refuted by defenders of the existence of private organizations – which (it is alleged) would most definitely suffer in the face of many suggested reforms. Bittker, for example, contends that increasing progression in tax rates is more equitable than repealing the deduction for charitable contributions, given a need for more revenue.[54] Ultimately, most arguments hark back to the basic issues of equity, relevance, and legitimacy.

For the burgeoning middle class and working class ethnic minorities the equity issue is especially telling. Vehicles for charitable giving are predominantly institutional – such as churches or United Way funds; the formation of foundations has virtually no relation to such groups either as a means of expressing preferences or as a method for magnifying donated funds through tax shelters. For these reasons alternatives to the current system of charitable giving are receiving serious consideration. The ingrown, putatively elitist character of the tax structure is being reevaluated, and needs to be reevaluated on many fronts. There is room for the involvement of minorities who are typically frozen out of such constructive discussion.

One alternative approach receiving attention accepts the rationale for private philanthropy and its privileges while attempting to rectify what are seen as inequities engendered by mechanisms such as income tax deductions. The most prominent reform proposal is that of federal matching grants to substitute for income tax deductions. The matching grant system purports to make the private philanthropic community more democratically reflective of a pluralistic society by extending equal benefits and incentives to all donors. In brief, the matching grant reform proposes to

> . . . substitute for the charitable contribution deduction a system of direct federal assistance for private charitable organizations through a matching grant mechanism. Each donor's gift would be matched by a predetermined amount from the government, the federal share to be transmitted directly to the charitable institution of the donor's choice.[55]

The details of the matching grant proposal and its rationale need not be delineated here, nor the multitude of objections raised by its detractors. Suffice it to say that one major objection is:

> It would be difficult to devise a formula for matching grants that would produce, even in the aggregate, the same amount of revenue that charities now owe to the tax deduction, and it is almost inconceivable that this could be done for particular charities or even categories of charities.[56]

The Tax Reform Act of 1969 – Legal Constraints and Policy Issues

Highly significant in our concern for minorities is the impact – present and potential – of current legal constraints on private foundation giving.

In recent years, as the attack on certain special tax privileges has heightened, private foundations have been distinguished from other charitable organizations for more restrictive, even punitive, treatment. The main source of most limiting policies is the Tax Reform Act of 1969 (TRA). The Act promulgates new interpretations of tax privileges and imposes regulatory policies limiting the way foundations use funds. The tax innovations affect the amount of revenue available to foundations for grant-making, and the regulatory restrictions affect the nature of grant-making policies. Both have bearing on the relationship of foundations to minorities, though the ramifications are far from clear.

The charitable contribution deduction clauses were substantially modified by the TRA in a manner which favors public charities, ultimately at the expense of private foundations. The upper limit on deductions for donations to public charities was increased to 50 percent, as compared with 20 percent for private nonoperating foundations. (An exception was made for private foundations which distribute all contributions received for active charitable purposes within one year.) Similarly, donors giving appreciated property to private nonoperating foundations must treat it as though it were sold and gains made – unless the foundation redistributes an equal amount, over and above other pay-outs, within a single year. Only the donor's cost plus one half of the appreciation are deductible.[57]

A singularly important and controversial provision of the TRA levies a 4 percent excise tax on the net investment income of private foundations (but not other charities). This is a marked departure from the traditional exemption of private philanthropies from taxation. The burden, however, is attached to a particular type of foundation, the private nonoperating foundation. But the exemption principle has been breached, and further inroads may be considered likely.

The act also makes regulatory requirements of foundations. Nonoperating foundations must distribute for charitable purposes each year either their current net income or a required percentage (generally about 6 percent) of the fair market value of assets, whichever is larger. Foundations are limited in the amount of control they can have in a business. They must invest in a safe and sound manner. "Self-dealing" activities between a foundation and those who manage, control, or make large gifts to it are strictly proscribed. Annual reports on programs and revenues are mandated.

Tax exemption is jeopardized if a foundation engages in activities deemed to be outside the scope of charitable purposes. Also private foundations must ascertain that their grantees (other than public charities) remain "accountable" within the boundaries circumscribed by the law. The proscribed activities relate to a broad range of policies which might be labeled "attempts to influence public affairs." Whereas previous prohibitions against "political and propaganda" activity were limited to "no substantial part" of a foundation's grant programs, the 1969 legislation flatly prohibited "political and propaganda activity" and "otherwise attempting to influence legislation, including attempting to affect public opinion or communicating with persons participating in the legislative process."[58] Advocacy and lobbying are out. Foundations may not attempt to influence elections, including any support of voter registration drives, except under constrained, nonpartisan conditions. High appointive or elective officials may not even accept compensation for time and expense incurred when attending foundation-funded seminars or discussions.

The TRA and Grant-Making Policies Affecting Minorities

The legal constraints placed on substantive programs of private foundations have been vehemently criticized as detrimental to innovative and productive foundation activities. There is little meaningful evidence available, however, to gauge the impact of the TRA on actual grant-making policies, due to the relatively short time the act has been in force.

The actual language of the TRA is broadly negative with punitive overtones and numerous strictures that – if harshly construed or enforced – could vastly inhibit certain types of activity. The sweep of the law is evidenced by the encompassing nature of the deexemption and penalty tax sanctions. It "prevents the Internal Revenue Service from evaluating a foundation's political activities in the context of its overall program."[59] The provisions could be interpreted to restrict "taking public positions on contemporary issues, since these could affect public opinion and in time 'influence legislation'."[60]

> Moreover, both provisions seem to have been intended to apply only to issues raised in pending legislation, thus avoiding infringement of foundation educa-

tional and research activities before they become concrete legislative proposals. Yet even this limitation may often prove unworkable. If the pendency of legislation is to be determinative, a legislator could halt a controversial foundation program – and perhaps occasion the loss of large amounts of foundation resources invested in the program – by the relatively simple maneuver of filing a bill in a legislature.[61]

The stringency of such possible interpretations and the ambiguity of other statutory sections understandably created a cautious atmosphere during the period after the passage and enforcement of the law. Even three years after the act went into effect, finalized regulations still had not been determined.[62] The regulations themselves suffer from vague language. In the opinion of one analyst:

> The practical import of the regulations seem to be that a full and fair exposition is required whenever a foundation is commenting on an issue that is relevant to a legislative controversy, and sometimes, perhaps, even when it is not.[63]

It is inevitable that relevant studies will in some way touch upon issues of concern to the legislative branch.

The response of foundations to the restrictions on programmatic activity has been one of initial alarm and distaste, followed by a gradual adjustment to the implementation of the act. While the regulations are less than perfect from the foundations' point of view, they leave room for maneuver given reasonable enforcement, and are more moderate than the extreme type of interpretation suggested by the *Harvard Law Review.* According to IRS data set forth in the preliminary report of an ongoing study only $9,000 in penalty taxes has been collected for violation of the "taxable expenditure" provisions (the area of programmatic regulation) as opposed to $220,000 collected for violation of the "self-dealing provisions." The IRS is nevertheless closely monitoring foundations and foundation grantees. A survey undertaken by the study found that 90 percent of its respondents had been audited since the act's implementation and 36 percent had been audited twice. However, only 21 of 530 respondents stated that IRS auditors made attempts to influence grant-making activities.[64]

Impressions of the current foundation situation confirm that foundations are adjusting to the new restrictions without major upheaval. Philanthropists mix with public officials and "report few problems of not being able to talk things over or be heard." Although voter registration activity was greatly inhibited in the initial stages of the act, it increased after regulations specifying permissible circumstances were issued. Within the new constraints, The Ford Foundation has reentered the field by contributing to the Urban League's registration campaign for ten cities and by sharing in the support of the Voter Education Project in the South. Uncertainty about possible proscriptions on supporting test litigation temporarily removed the few interested and adventuresome philanthropies from that scene. Grants have cautiously been renewed, but reflect a carefully bipartisan, objectively controlled context.[65]

The portion of the act that has most modified the behavior of foundations in their grant-making policies is that relating to "expenditure responsibility." This section requires that foundations be accountable for all actions outside the meaning of the statute taken by their grantees other than public charities. In order to exercise accountability, a foundation must place certain strictures as to accounting and reporting practices upon its non-public-charity grantees, and maintain careful supervision of their programmatic and financial activities. The foundation must report all such individual grants to the Treasury, and justify their tax-exempt purpose. The recipient must submit regular reports to the foundation for scrutiny. Such record-keeping requirements have been said to cause "more foundation paperwork than any other law." To avoid the headaches which accompany these accountability procedures, many foundations have simply chosen not to give grants to any organization other than those that qualify as public charities.[66] The survey previously cited found that contributions to nonexempt grantees prior to 1969 decreased from 39 percent to 16 percent in 1970 and 20 percent in their last tax year – or half as many as previously. "The new requirements appear to have been a real deterrent to some foundations which were formerly prepared to bet on new and often inexperienced grantees."[67] Of the 21 respondents who reported efforts on the part IRS auditors to influence their grant-making activities, 22 percent indicated that the pressure was in the direction of discouraging expenditure-responsibility grants.[68] Grants to public charities offer the course of least resistance.

The requirements have provoked discussion of the morality of closely overseeing grantee behavior. Foundations have traditionally taken a "hands off" attitude toward grantees once the grants have been made. Monitoring grants is said to restrict intellectual freedom, hamper internal operations, color program outcomes, and burden a foundation with operating responsibilities. On the other hand, it can not be denied that a certain level of monitoring, perhaps combined with advice and technical assistance, is desirable and justified. One analyst distinguishes between the grants made for projects of intellectual and creative distinction requiring maximum autonomy, and those made for "action" purposes. He divides their purposes as follows:

> a) To *perform* a certain set of services or actions.
> b) To *test* a certain hypothesis.
> c) To *demonstrate* the efficacy (or lack thereof) of a certain notion.
> d) To *train* certain people in certain ways.
>
> *For these grants intellectual "freedom" was exercised by the foundation and grantee in the process of deciding what to propose and what to accept.* Once a grant is made, the grantee is, by and large, *committed to a declared and settled purpose.* For that purpose to be realized the grantee is to *do* certain things, to *perform* certain services, or to *test* or *demonstrate* certain notions. These are actions; and, hence, for these grants it is not the grantee's *freedom* that needs to be protected. Rather it is his efficiency and fidelity to purpose that need to be assured. This is not to say, of course, that foundation and grantee need to be overly inflexible about either goals or manner of operation.[69]

While the desirability of evaluating, advising, and monitoring certain types of grants – including those made to public charities – may thus be justified, the expenditure applicants under this clause have a definite competitive handicap. The full brunt falls on new and untried organizations, particularly community organizations which are unwilling or unable to gain public charity status.

> Even if a foundation is willing to make the grant, it may take a considerable effort to convince the community organization to accept the strictures it imposes. Some knowledgeable observers suggest that the full impact of the expenditure-responsibility provision has not yet been felt: "The Tax Reform Act came at a time when new community institutions were not being spawned as they once were. If it had been in the 1964-67 period, there would have been hell to pay."[70]

Those suffering most are grass roots action-oriented organizations, including minority groups, which have less certain access to funding of any kind. Foundations have been a potentially important source of revenue for them in the past. Minority groups are less likely to have established records or to qualify as public charities, which must receive a substantial portion of support from a governmental unit or from contributions from the general public. Even the time involved in obtaining the proper IRS documentary approval of public charity status can be detrimental to minority groups. New groups attempting to diversify funding sources to attain independence from foundation monies and/or to enhance the possibility of gaining public charity status may stumble upon one of the constraints in the act if federal revenue-sharing funds are sought. Seeking those funds could be construed as a lobbying effort prohibited by the act. The effect is to hinder diversification efforts, to make public charity status that much more difficult to attain, and to nullify foundation efforts to use small amounts of funds as leverage for attaining more funds from the federal government.

The undisputed effect of the programmatic restrictions has been to cast a shadow, as far as foundations are concerned, over the organizations and activities of minority groups. They reinforce the tendency of most foundations to avoid new, untried endeavors, and discourage grants to minority, barrio, ghetto, and poverty groups.

In areas which affect minorities (willingness to undertake experiment and innovation, to support new groups, to engage in public policy and civil rights debates) TRA has been generally restrictive. Foundations are placing greater reliance on legal personnel for cautionary warnings on taxable-expenditure and expenditure-responsibility items. Uncertainty introduces added elements of caution (one observer calls it "cowardice") in decision making.[71]

In spite of the "innovation" rationale posited so lucidly and frequently by foundation defenders, conservatism in grant making prevails in many of the institutions, as we shall note later. The TRA can only act as a reinforcement of such a tendency. Where foundations may have been criticized for funneling money into established public charities, this focus has seemingly been vindicated.

While the perceived elitism and influence of foundations may have engendered the current distinction in favor of more "democratically" accountable public charities, the suspicion emerges that a desire to inhibit the growth and strength of grass roots organizations, including those of minority groups, led to the expenditure-accountability clauses and taxable-expenditure clauses. If that surmise is correct, we would advocate modification of the pertinent portions of the TRA or, more radically, revision of the entire system of philanthropic incentives and privileges to encourage more support for the poor and the minorities.

IV

MISSION AND PROGRAM OF FOUNDATIONS – FOUNDATION INVOLVEMENT IN INSTITUTIONAL CHANGE

Historical Antecedents

An incisive description and appraisal of the social setting in which foundations function and some of the factors, including social and political activism, that resulted in congressional intervention was written by Waldemar E. Nielsen in 1972.

He points out that throughout the long history of institutionalized philanthropy, foundations have "repeatedly clashed with the authorities, both secular and ecclesiastical." Basically, these conflicts "involved power, both economic and political." For example, King Henry VIII of England "objected to the religious endowments as obstacles to his efforts of reformation; a century later his royal successors feared private endowments for the opposite reasons, as threats to their efforts to block change." The French Revolution, sparked by the resentment of wealth and privilege, virtually destroyed foundations in that country. "Foundations," he notes, "were among the first victims of the Bolshevik takeover in Russia and the Nazi rise to power in Germany." It is his view that while foundations were partly responsible for these adverse consequences through "their own misconduct but repeatedly throughout history, when nations have been under heavy stress or in the throes of social crisis, foundations have become a favorite target of official frustration and popular anxiety."[72]

Foundations in the United States, while comparatively viable, have also been affected by social and economic factors. In the years before World War I, they were the focus of bitter disputes between "reckless capital and radical labor."[73] During the Depression of the 1930s, and again during the hysterical Joseph McCarthy period after

World War II, they were further attacked by those who believed foundations were furthering communistic ideology or radicalism.

Thus, from both ends of the spectrum, foundations have been seen as a threat, as capable of or exercising great power over existing institutions. Some examples, summarized, follow.

Anti-Communist writer Labovitz claimed that

> . . . an "elite" has thus emerged, in control of gigantic financial resources operating outside of our democratic processes, which is willing and able to shape the future of this Nation and of mankind in the image of its own values and concepts.[74]

New Leftists David Horowitz and David Kelodney described foundations as originating from the rapacity, hypocrisy, and corruption of the corporate establishment. The political power of foundations was derived from the magnitude of their assets but also from their application of "strategic philanthropy."

> [They have] been nothing less than a means of shifting the balance of political thinking and political power in the United States consistently in the direction of the moderates and those supporting the *status quo* and against those advocating more revolutionary change.[75]

Thomas Parrish writes about the "Progressive era" (1900-1920), the time of the muckrakers and trust busters, when a congressional investigation of the "general conditions of labor in the United States" precipitated by the labor-capital conflict in the Colorado coal industry, was undertaken under Senator David Walsh and The Walsh Commission. The fact that the Colorado Fuel and Iron Company was controlled by John D. Rockefeller led to the inclusion of other Rockefeller interests, one of which was the newly established Rockefeller Foundation. The Walsh Commission then decided to study all foundations. Spokesmen for foundations, including a partner in the J.P. Morgan firm, and John D. Rockefeller, Jr., either expressed no concern about the influence of foundations, or, in the case of Rockefeller, testified that the Rockefellers had not "drawn sharp lines between our business and philanthropic interest." Foundation opponents charged that the fortunes used to create the foundations came from exploitation of workers, and that workers' well-being would be improved by being allowed to keep the money which generated the fortunes.[76]

The Walsh Commission reported, according to Parrish, that "foundations were in fact large and dangerous influences over corporations and over such fields as education as well." When the report was issued in 1915, the Progressive era had come to an end. The report appears to have had little influence either inside or outside Congress.[77]

By the early 1950s (the McCarthy era), critics of foundations were charging that they were "agents of communism." Two congressional investigations followed – by the Cox Committee of the House in 1952 and by the Reece Committee of the House in 1954. Little of consequence was produced by the Cox Committee; foundations were found to be "important and vital." Disappointment over this meager result stimulated Representative Reece to conduct another investigation, in which only one foundation was permitted to testify. Charges were made that foundations were engaged in a "diabolical" anti-American conspiracy. "The Reece proceeding was so farcical and patently unfair that its inhibitory effect on foundations was less than was feared likely at the time."[78]

Representative Wright Patman began a series of assaults on foundations in 1961 which continued through 1969. He began by deploring their rapid growth and the motives of some of their donors. He used "available charges" as well as contradictory allegations of both capitalistic and communistic bias. Authorized by the

Small Business Commission to staff and continue his study, a series of reports followed. Little or no concern was expressed about foundation involvement in social change.[79]

Then the Treasury Department, at Patman's demand, began a study, reported in 1965, which "carefully distinguished between genuine philanthropic foundations and those that seemed to exist for the sake of tax evasion."[80] Parrish states:

> . . . a number of the big philanthropies approved (the recommendations of the Treasury Department report), but rather passively; others, however, immediately dispatched their lawyers to Washington to try to block any legislative action . . . which they succeeded in doing.[81]

Patman's reports in 1966, 1967, and 1968 produced no significant legislation. Some of the specific charges in his reports were short sales of securities, speculation in commodity futures and oil wells, manipulation of stock prices, and use of assets to carry on proxy fights for the control of corporations. His chief concern was the abuse of the tax-exempt status, but the House Ways and Means Committee, now involved in the investigation was particularly interested in the use of foundation money to support political activities that threatened incumbents.[82] Some of the specific activities that distressed congressional representatives were:

1. Voter education and/or voter registration efforts, principally among selected populations (blacks and Mexican-Americans), which probably generated more opposition in Congress than any other type of activity, mainly because they were perceived as a direct threat to federal, state, or local office holders.[83] Examples of projects and their impact will be given in the next section.

2. Funding by The Ford Foundation of a school decentralization experiment in New York City which, according to Nielsen, "by the time it was over, had detonated black-Jewish tensions in the city, brought about a bitter confrontation between the black community and the powerful United Federation of Teachers, and resulted in a destructive city-wide school strike that nearly cost John Lindsay his second term as mayor."[84]

   The Peterson Commission states that "the role of the Ford Foundation . . . was easily misconstrued and widely resented."[85]

3. Experimental programs in slum areas, such as foundation grants made to street gangs in Chicago. As the Peterson Commission reports, "these programs have . . . disturbed some politicians because of their potential for changing the political balance of power, particularly by mobilizing the electoral strength of black communities."[86]

According to Nielsen, the Tax Reform Act of 1969 has had a "paralyzing effect" on "innovativeness by even the most courageous of the large foundations." This effect has caused a "preoccupation with the possible reaction of Congress and the Internal Revenue Service to . . . grant decision," and, because of "expenditure responsibility," a reluctance to make grants to other than well-established organizations.[87]

Fear of these consequences was expressed beforehand by the late Whitney M. Young, Jr., executive director of the National Urban League, at the Senate Committee hearings on the bill:

> There are features of the bill that are making the black community feel that it is a hostile bill, a bill . . . with a purpose as much to intimidate as to legislate, a bill designed to discourage foundations who have belatedly found the field of social reform to be one which they might tenderly tread, a bill to caution and warn them. Already there is evidence that just the introduction of the bill

> has caused some foundations to again become very cautious and turn toward those absolutely noncontroversial things they feel will remove them from any threat of punitive action.[88]

More recent appraisals of the effect of the law on foundation practice are more moderate. Parrish writes that it "fostered some fresh timidity toward social action and related fields," adding, "but the prevailing view in the foundation world was reported to be that of Merrimon Cunninggim, president of the Danforth Foundation. The law, he said, 'has not hurt foundations as much as they expected it would, and it has not hurt them much'." This is due to "the restrained view the Treasury Department has taken of foundation activities that might be considered by some to relate to legislation or public policy."[89] Parrish concludes:

> One thing the 1969 discussion showed was that foundations tend to resemble individual persons. When a particular trait or quality is generally popular, foundations like to claim it as a prime characteristic. When it is in disfavor, they passionately deny that they ever thought or did anything of the kind. When social action is popular, foundations cheerfully accept praise for being, as the semiofficial cliche has it, society's "cutting edge." When political or other powerful forces frown on anything that looks to be a serious social-action project, foundations hasten to assert their innate level-headedness and conservatism.[90]

Paul Ylvisaker and Jane Mavity, in a paper prepared for the Filer Commission dealing with "The Role of Private Philanthropy in Public Affairs," conclude that because the TRA of 1969 has not been "harshly interpreted and applied" by the Treasury Department, those philanthropies "most tightly circumscribed by the act seem to have taken the new legislation in stride and remain free to play, if they choose to, an assertive role in public affairs."[91]

> If the spirit is willing, there are no overwhelming deterrents. If the spirit is otherwise, the act can be cited as further reason for a conservative posture, a cautious role.[92]

Ylvisaker directed the national affairs program of The Ford Foundation from 1956 to 1966. Through his interest in urban problems, and his extensive contacts with racial and ethnic minorities, he was instrumental in creating substantial Ford grants for delinquency prevention programs, educational programs for disadvantaged children, and "community development" projects which provided a variety of approaches to the problems of poverty, unemployment, housing, and education in predominantly black areas of cities. Community development emphasized the direct participation of ghetto-controlled organizations in carrying out the projects. Ylvisaker recruited a group of black and white "social change technicians" to create project ideas. He enlisted the support of mayors in a number of cities in implementing these ideas. The resulting "gray area" programs generated a number of the concepts later incorporated in the Johnson Administration's "war on poverty."[93] Ylvisaker also played a key role in developing Ford Foundation involvement in helping Mexican-Americans.

Survey Data Relating to Institutional Change

How do ethnic minority leaders, foundation executives and board members, elected governmental officials and agency staff, and students of the foundation field view the situation? Systematically collected empirical data are found to be minimal. Personal viewpoints are more abundant, but are necessarily influenced by professional or personal experiences. They will be instructive, nevertheless, when considered in the social setting and the professional background of the spokesman.

Before presenting individual viewpoints, it will be useful to examine two of a series of surveys conducted during the summer of 1969 by the Commission on Foundations and Private Philanthropy. One of the survey populations was a sample of foundations, the second "a cross-section of America's opinion leaders."

The commission report states:

> The ability of foundations to tackle controversial subjects and to finance social action projects is one of the frequent justifications for their existence, although attitudes toward controversy vary among foundation people. Controversy, however, does not rest easily alongside other qualities . . . perhaps prudence, civility, and discretion. Indeed, some foundations have been so "discreet" that, on few occasions when they forged ahead with "controversial" social action projects, and encountered strong opposition, it was widely believed that some had not meant to be controversial.[94]

The commission posed three questions to a sample of foundations covering their activities during the three years, 1966-1968:

1. Had they made any grant for certain specified types of projects which some people might consider controversial or undesirable?
2. Had they made any grants or gifts to projects which *they* considered to be controversial or particularly unpopular?
3. Had they made any grants or gifts which *they* considered to be innovative, experimental, or out of the ordinary?[95]

Certainly any project may be considered "controversial" or "undesirable" for a number of reasons, not necessarily because it is viewed as bringing about major institutional change. An analysis of the responses indicates, however, that the kinds of projects that elicited newspaper comment and congressional attention because they differed from the more traditional types of foundation grants, as well as threatened the status quo, included those that were intended to bring about social change, in attitudes and behavior. This hits hard at the "voter registration and voter education projects," which were mainly directed toward those segments of the population which were, or believed themselves to be, politically powerless – blacks and other ethnic minorities. Similarly, "grants to assist a community or neighborhood to organize an ethnic population, ghetto, or impoverished groups" encouraged such groups to bring about institutional change as well as to provide services. "Organization of urban youth groups, including gangs" channeled destructive energies into more productive behavior, including helping to bring about more intelligent responses by existing agencies to youth problems. "Work with student organizations" also was usually change-oriented. Looking back to the original figures on change-oriented projects (p. 1179), we arrive at the modest total figure of 4 percent. Thus foundations made minimal contributions to institutional change-oriented projects during the period 1966-1968.

Only 1 percent of all foundations, when speaking for themselves, believed their grants were controversial or unpopular. The dollar value of these controversial grants represented a miniscule 0.1 percent of all grants made during 1966-1968. Almost all were made by large foundations. Athough 13 percent of responding foundations believed that they had financed innovative or experimental projects, only 3 percent of total grants made during 1966-1968 were considered innovative. Again, the large foundations accounted for the major portion of these.[96]

The Peterson Commission concludes that

> The facts do not bear out the charges that much of what foundations support is not charity at all but rather political and social activism . . .

> A majority of foundations spend most of their funds on conventional projects that are similar to the traditional patterns of individual giving.[97]

The Peterson Commission's survey of "a cross-section of America's opinion leaders" provided a somewhat different perspective on foundation involvement in institutional change. A sample of 4,016 persons drawn from 49 different source lists included a cross-section of professionals – university presidents, business leaders, government officials, labor leaders, physicians, attorneys, and leaders in the arts and sciences. Of specific interest to this study are the responses concerning "the philanthropic function of foundations and their role in American society."[98]

Respondents' attitudes (based on a 22 percent return of a mailed questionnaire) were, with one exception, positive toward foundation participation in controversial activities. This is at direct variance with the foundations' appraisal of their own support of controversial projects. To quote the commission's findings:

> The Commission questionnaire pointed out that at times foundation activities have aroused some controversy, particularly in areas related to social/political actions. In order to establish some parameters for what might be considered permissible and nonpermissible activities, the Commission listed a number of "sensitive" areas of activity and asked the distinguished citizens if they thought foundations should participate.[99]

The distinguished citizens' responses to each of these sensitive areas is shown in the following tabulation:

Foundation Participation in Controversial Activities[100]

	Percent		
	Favor	Do Not Favor	No Opinion
1. Voter registration activities	63.4	29.1	7.5
2. Grants to study public policy issues and influence public opinion or government action through dissemination of the study	69.2	22.1	8.7
3. Support to community organizations which might include a variety of youth groups, such as gangs	71.7	19.5	8.8
4. Grants to government employees	27.6	56.7	15.7

A substantial majority of these distinguished citizens was receptive to foundation support of projects that were directed toward institutional change at a time when the foundations themselves were giving token amounts to such projects. The one exception was "grants to government employees."

Reactions of Ethnic Minority Leaders and Ethnically Oriented Organizations

Ethnic minority leaders have generally been only minimally involved in the foundation field. It is, with minor exceptions, an Anglo world, heavily influenced by the large Eastern foundations with their economic and social ties to the establishment business world. Ethnic minorities have only slight representation on the governing boards of foundations or on their staffs.

Although foundations do grant money for projects designed to benefit minority populations, only a portion of it is given to minority-controlled organizations, a fact substantiated by data for Spanish heritage and Asian American populations appearing in Chapter II. These circumstances also contribute to the paucity of published material on foundations by ethnic leaders.

An insightful analysis of foundation response to minority concerns was presented by Vernon E. Jordan, Jr., executive director of the National Urban League, to the Foundation Luncheon Group, New York City, on June 13, 1972. Jordan challenged the notion that

> . . . this nation is in the midst of widespread social reform; that there has been a marked increase in the well-being and the influence of its minority citizens, and that further changes in the social area are not only unnecessary, but are dangerous to the stability of this country and its institutions.

Specifically, Jordan rejected the idea that "this unnecessary and dangerous social ferment has been fostered and paid for by foundations" because "far from being the avant garde of social change, foundations have tended to follow cautious policies that reinforce the status quo."[101]

Jordan noted that the "period of the 1960s was indeed a time of rapid change; the period of the 1970s seems instead to be one of retrenchment and withdrawal from that change." Legal rights had been won by black Americans – "access to public places, freedom from discrimination in employment and housing, and the right to vote in the South" – and benefits obtained through "increased government spending to relieve extreme poverty, and for job training, community organization and other programs . . ." However, "those rights so bitterly won have yet to be enforced, and those social programs so idealistically begun were never fully implemented." He cited such specific examples as congressional failure to pass a welfare reform bill which would liberate rather than punish; refusal to enforce civil rights laws; opposition to use of busing to desegregate schools; and refusal of many suburban and middle-class communities to accept scattersite public housing.[102]

Referring to the nation's acceptance of a prescription of "benign neglect," withdrawal from working for social change had permeated our entire society, spreading to "foundations and foundation executives as surely as it has touched politicians, businessmen, and housewives."[103]

Specifically, in reference to foundations, Jordan felt "more caution, less initiative, and generally a more rigid attitude in some corners of the foundation world." He identified three basic arguments used by critics of foundations for a "go slow" policy on social change oriented projects.

1. As beneficiaries of the present system, foundations would be foolhardy to support social change. The status quo should be upheld and grants should more accurately reflect the economic and power relationships that currently exist in our society.
2. Foundations should assist those institutional elements of our society that represent stability, tradition, and Western culture, as opposed to an emphasis on innovation, experimentation, and change.
3. The Tax Reform Act of 1969 is not as bad as it could have been, but it well might be rigidly construed if foundations keep meddling in programs that seek to change our society. " 'If you don't hew close to a conservative line,' critics say, 'those fellows in Washington will cut you down to size'."[104]

These arguments assume

> that foundation monies have been disproportionately distributed to the powerless, rather than the powerful; to the experimental innovators rather than to stable conservers; to unpopular causes rather than to those with broader support.[105]

Jordan sharply challenged that assumption, citing his own experience in the previous decade in seeking funds from various foundations for Southern voter registration, for black colleges, and for the Urban League's programs of social welfare, housing, job training, and voter education. Jordan stated that "An analysis of grants in seven key areas of welfare shows a rather tepid interest in social change."[106] Findings from the Urban League's analysis of grants made to black agencies and issues of black concern in 1970 and 1971 further supported his position. Some of the specific findings were:

> *Race relations* – legal aid, voter education and civil rights agencies. Only one third of the funds went to national black-led organizations, while two-thirds went to hundreds of small, local race relations councils and discussion groups. Race relations grants amounted to a measly $24 million or about 10 percent of the total spent in the Welfare category.
>
> *Community Development.* Less than a fifth of community development funds went to black agencies.
>
> *Child Welfare.* Less than 5 percent went to black communities and only 0.5 percent to black agencies.
>
> *Youth Programs.* Less than 10 percent went to the black community and only 1 percent to black agencies.
>
> *Assistance to the Aged.* Only 3 percent went into the black community.
>
> *Social Welfare.* Less than one fifth of all grant funds went to social welfare programs, and only one fifth of that found its way into the black community.[107]
>
> *Education.* Grant-giving to education was even more one-sided – black colleges, for instance, received only 6 percent of grants made to all colleges and universities. Jordan noted a tendency for white philanthropists to consider that every dollar given to blacks is used "for social change or for equal opportunity. Thus, a grant to a black college's school of veterinary medicine is considered an equal opportunity grant."[108]

One consequence of what Jordan considered to be the failure of foundations to give adequate support to "programs of social change and programs for the powerless" is the seeking of federal funds by black agencies. For example, half of the Urban League's budget represented federally financed projects. Other black-led agencies were "turning to Washington for funds that ought to be coming from the private sector." Jordan called this an unhealthy situation for voluntary agencies – to be overly dependent on a single source of financing.

> If private and foundation giving does not increase to the level it should be at, we will be painted into a corner of reliance on federal monies. It may be a gilded corner, but it's still a corner, with the potential for restricted movement and the hazards of being buffeted by political winds.[109]

Remarkably enough, "even in this time of retrenchment," the federal government "remains more favorably disposed to some programs of social change than do some of the more fearful foundations."[110]

Jordan concluded his assessment of the social situation in the United States and the role foundations should be playing:

> It is obvious that the searing, urgent issues currently tearing at the fabric of our society, require for their resolution institutional changes that will enlarge the opportunities and the role of the neglected minority segments of our nation. These questions constitute a challenge of the first magnitude to the

> foundation community, a challenge that calls its very being into question. For if foundations refuse, either through fear or through misunderstanding, to try to resolve these burning issues, then they are truly a redundant and expensive luxury in our society.[111]

The Bread Game, a book designed to help potential Third World applicants, appraises foundation receptivity to institution-changing projects as follows:

> The foundation beast tends to be shy and retiring when it comes to controversy, social change, risk and all those conditions which may tend to upset the status quo. While there does exist a certain breed of foundation beast willing to move on the broad front of social change, these tend to be few and far between. Too many have withdrawn into their wombs where they can feed themselves on the warm feelings generated by funding safe, non-controversial enterprises.[112]

Dr. Julian Samora, a sociologist-educator and advocate of Chicano causes, in a presentation to a Conference of Michigan Foundations on February 21, 1974, described one foundation's changed approach from an opportunity fellowship program for ethnic minorities, to support of teams of persons who were to investigate a particular social problem within the context of a system, and make recommendations for desirable changes in the system. To Samora this was a more constructive approach "instead of helping an individual in the 'my fair lady' fashion to cope with the system, the emphasis now is to do something about the system or its various segments."[113]

Pacific Change is a small and unique organization in San Francisco which "serves as a collective resource center and clearinghouse for projects seeking money from wealthy individuals and foundations concerned with the need for viable social change." Its clientele consists mainly of "third world and other oppressed communities throughout the Bay Area and Northern California"; its staff is mainly Third World people with community organizing experience, who have agreed to limit their service to Pacific Change to five years – after which they will return to their communities and allow new people to take their places. A unique feature is the staff decision for collective operation, giving each staff member equal power in decision making, as well as equalizing salaries and work duties.[114] Pacific Change gives its highest priority to projects "aimed at organizing to ultimately effect institutional change."[115] Projects funded through the work of Pacific Change include those related to Third World communities, tenant rights, GI pensioners, access to the media, corporate responsibility, and women's rights.

Two new family-type foundations – Vanguard and Haymarket – were established in a similar mold as vehicles to give grants to "groups working for a real social change, that are organizing people to take control of their own lives." This according to the inclinations professed by the founders.

Mexican Americans are "formulating their present problems as city dwellers," and this affects the nature of their requests for foundation support. Dr. Ernest Galarza, an economist and the foremost authority in the United States on Mexican Americans, states:

> The most arresting characteristic of these requests, in so far as they are formulations of need, is that they identify isolated symptoms rather than syndromes. In a curious way, therefore, the "activists" and "leaders" of a Mexican-American community fall into the mental processes of the grantsmen of the official establishments. Both subscribe to the concept of "target community." On closer examination this does not turn out to be a "community" at all, rather particular pieces of it, isolated for the administrative conveniences of those who approve public grants. This

> individualistic and highly subjective approach to grantsmanship fits remarkably well the political interests of established power.[116]

This results in "continuous co-optation and competitive hiring away of talent." In addition to the loss of talent, it creates "remarkable metamorphoses in the very 'leaders' who initiated their rise on the crest of some publicly funded program. They become positive spokesmen and apologists for established power. Their decreasing influence on the minority community is concealed by the heightened status of their public roles and the attention that the press pays them." Galarza points out

> . . . the paradox of much that is happening to community organization among Mexican-Americans. The more the federal government spends on it, the deeper the loss of meaning in everyday life for the clients. The "target" strategy of community assistance ends by destroying form completely.[117]

Galarza actively applies this analysis by examining the progressive destruction, over the past two decades, of Mexican *barrios* through the "Leviathan of progress."

The *barrios*

> represented a form of community life peculiar to Mexicans and unique in the nation. Life in these *barrios*, rural and urban, was harsh, its prospects bleak, its inner conflicts intense and highly personal. But they were still communities.
>
> Many of those *barrios* have been destroyed, physically, territorially, culturally and morally. Those that survive are precisely located where the "target" strategy is most intense. It is as if demolition squads were now at work after a hurricane, completing with grants and enticements or co-optation the extinction of form and significance in everyday life.[118]

This destruction is accomplished by distributing income "among selected sectors of a minority," ignoring the consequences of providing "handsomely for administrative salaries and little for supportive action." Galarza continues:

> The forces propelling the attack are institutional. They have been gathering for decades. . . . Not a little of their present efficacy lies in the many ways in which historically the minorities . . . have been softened and readied for ultimate sublimation into a larger society which is itself losing form.
>
> In the specific case of the Mexican-American minority it would be of the greatest importance to find out whether in it there are individuals who are aware of this process, of which they are subjects. On the part of private philanthropists the search should be for individuals who have, in one way or another, come by this awareness and whose proposals for community assistance reflect it.[119]

Private philanthropy perhaps should consider other models. Galarza mentions an alternative concept – "grants for team projects" – and describes two such projects financed by John Hay Whitney Foundation in Santa Clara County, California. One supported the initiation of "the organization of the Studio-Laboratory for Spanish learning materials for elementary grades in the city of San Jose"; the other was made to "assist the small community of Alviso, the target of an annexationist attempt that aimed to obliterate a Mexican *barrio.*"[120]

Although noting, "It is much too soon to assess how team grants are working out," Galarza does identify the elements which distinguish them from the prevailing model of government funding:

> They discard the accepted idea of minority leaders. They demand commitments from the participants that are certain to force hard choices on capable men and women who have prospects of careering themselves into the "mainstream of American life." . . . there is no script for stars and no call for "extras."
>
> The teams, theoretically conceived and to some extent tested already, take into account the groupings into which the Mexican-American community sorts itself, enlisting the differences of interest and the divisions of commitment they express. Their goals are real, in the sense that participants, as they grow in number, bring to team action a conviction that those goals must be realized for reasons vital to them as groups.[121]

The role of foundations in supporting such a model is next examined. Galarza notes the present "division of labor of sorts, reflecting the personal values and interests of the donors." He realistically observes that

> Foundations that focus on the various manifestations of social disruption such as are evident in Mexican-American communities are probably not the best endowed with disposable capital. But if they pick up one strand of the mesh or relationships that is unraveling in a community, they soon find that effective institutional reconstruction calls for continuing commitment all around – from those who are carrying the effort forward in the community, and from those whose funds make that effort possible.[122]

Galarza concludes with this statement:

> The nature of the involvement for the community and for the foundations will have to be reassessed with equal thoroughness. It is not likely that many foundations would abandon their present patterns of giving in the direction here suggested. But at least they should be aware that a new model is urgently demanded.[123]

A different ethnic viewpoint on the foundation role in bringing about institutional change is expressed by James M. Dyer, executive assistant, Carnegie Corporation, in his review of Nielsen's *The Big Foundations*.

From a black perspective, Dyer disagrees with Nielsen's assertion that foundations can justify their privileged status only by working for major societal change:

> The logic of his argument leads one to conclude that only change-oriented programs are of value to society and to minority groups as part of society, and that other social and cultural maintenance programs are essentially not worth carrying on. This implies there is no meaningful role for blacks in this societal structure for maintaining its institutions.[124]

On a practical level, Dyer doubts in any case that foundations will be permitted a major reformist function (as in the case of foundation support for school decentralization in New York, which produced a "legislative mood against foundations"). At the same time, Dyer stresses "the positive role foundations might play in preserving and projecting for non-white Americans an area within private control where activities can be carried on for the public good."[125]

Institutional Change-Oriented Projects as Perceived by Foundation Spokesmen

No systematic study of foundation involvement in institutional change comparable to the 1969 survey made by the Peterson Commission has been made since that date. The 1969 survey, covering 1966-1968 data, concluded that foundations had made only minimal contributions to change-oriented projects since most of them spend most of their funds on conventional projects.)

In this section of the report we draw, mainly, upon the rather limited statements made by foundation spokesmen. We sought to identify different concepts or conceptual schemes that may be utilized in subsequent research. We will also summarize the findings of an analysis of grants made by foundations in the field of politics and government by Archibald Gillies, president of the John Hay Whitney Foundation.

Donald Young offers a conceptual framework based on the ideology and values associated with foundations. A foundation may be conceived of as one of the following:

> A powerful force for maintaining a status quo favoring an advantaged and wealthy "establishment."
>
> A force for economic and social change in sympathy with radical, left-wing ideologies.
>
> A somewhat randomly unsettling influence on the "American way of life" because of innovating research and experimental projects intended to find new ways of resolving social problems.[126]

Nielsen, in his assessment of the extent to which foundations contribute to social change, quotes John Gardner's classic defense of foundations, given as Gardner was leaving the Carnegie Corporation in 1964:

> The modern foundation . . . [is] designed to make money go a long way in the service of creativity and constructive change. It is one of the few institutions in our society that can keep itself free to act quickly and flexibly in support of the talented individual or the institution that wishes to undertake an experimental program . . . . It is not only an element in our pluralism; by supporting a wide variety of creative individuals it contributes to an even greater and more fruitful pluralism.

Nielsen also quotes the core of the Carnegie Corporation's 1968 report, given by Alan Pifer, Gardner's successor, as follows:

> If there is an evident lesson to be learned from the turbulence of the times in which we live, it is that the nation has no higher requirement today than a flexible capacity for rapid change in its social institutions . . . .
>
> But there is impressive evidence of various kinds which contradicts these assessments and which suggests that the large foundations – their theoretical usefulness as creative forces and as change agents notwithstanding – are in fact overwhelmingly passive, conservative, and anchored to the *status quo*. They are agents of continuity, not of change.[127]

On another level, the Third World Fund of San Francisco, a minority-controlled foundation, is committed to financing institutional change-oriented projects. As the director, Ida Strichland, recently stated, "I strongly believe there is still money available for social change and people willing to work for it."[128] The foundation secures its funds from individual donors and makes grants for controversial projects to groups which have organizational and leadership abilities or potential, but which have not established a "track record" enabling them to get money from more traditional foundations. Its resources are modest. During the past two years, the Third World Fund supported 105 projects with a total of $282,000.[129]

Types of projects funded are indicated by the following:

> . . . a Chinese community newspaper, La Raza University Without Walls in Berkeley, the United Prisoners' Union and several legal defense projects, bilingual broadcasting, the National Farm Workers Ministry, the 'Trail of Broken Treaties' march on Washington, D.C., and the 'Wounded Knee Legal Defense Fund.'

Currently, the Fund is shifting its emphasis "to educate third world communities to speak for themselves . . . by funding more free forums where people can meet with experts on an issue," according to its director.[130]

Alan Pifer, president of the comparatively large Carnegie Corporation of New York, recently stated his rather equivocal position on the issue of social change. The gist of his speech follows:

> By what right *does* a private organization not directly answerable to the people at large undertake to improve the lot of some people within the society at the possible expense of others? . . . In sum, there should be no imposed orthodoxy on how foundations can help produce "a fairer and more just society."[131]

The Ford Foundation, by far the largest, granted almost $196 million in 1973 accounting for 8.3 percent of grants made by all U.S. foundations.[132]

Nielsen describes the report of a study of The Ford Foundation's objectives as

> . . . the finest statement of the case for modern creative philanthropy yet produced . . . It began with the premise that the most important problems of contemporary life lay in man's relation to man, not his relation to nature.[133]

The report urged that the foundation give priority to five areas:

1) *the problem of world peace* – including the strengthening of the United Nations and its associated international agencies;

2) *the problems of democracy* – including the elimination of restrictions on freedom of thought and other civil rights; the maintenance of democratic control over concentrations of public and private power; and the improvement of the political processes through which public officers are chosen and policies determined;

3) *problems of the economy* – including the achievement of high and stable employment levels; greater equality of economic opportunity for all citizens; more satisfactory labor-management relations; and the attainment "of that balance between freedom and control in our economic life which will most effectively serve the well-being of our entire society";

4) *the problems of education* – including the clarification of educational goals and the evaluation of current educational practices; the reduction of economic, religious, and racial barriers to equality of eductional opportunity; and the more effective use of the mass media for nonacademic education of citizens of all ages;

5) *the scientific study of man* – including his values, motivations, and maladjustments; and the greater use of such knowledge in every aspect of democratic life. [Emphasis added.][134]

The report was unanimously endorsed by the foundation's board of trustees. Even without using the label "institutional change" or "social change," the kinds of problems described could lend themselves to study or action proposals leading to institutional change.

A great deal of material has been published by and about The Ford Foundation. Some of the proposals it has financed have been controversial. Data presented in Chapter II showed a relatively substantial involvement of the Ford Foundation in funding minority-controlled projects. In its 24 years of existence it has had, in the words of Nielsen, "triumphs as well as conspicuous failures. It has careened from bold attack to indecisive floundering, from conservatism to activism."[135] We cannot encompass the work of this foundation here, but we may note its many significant contributions in the area of institutional change, studies of governmental policies and practices, work with ethnic minority-oriented populations and other disadvantaged groups, and, more recently, its work with "that 51 percent" (women). Because of its size, its willingness to make controversial grants, and its efforts to report its policies and activities, it has been highly visible to both its supporters and its detractors.

A rapidly growing community trust, the San Francisco Foundation, "recently initiated a series of lunchtime meetings with people prominent in the arts, education, health care delivery, environmental problems and civic concerns" in order to consider issues and ways the group can help. In the words of the executive director, Martin Paley:

> It is hoped the meetings will prove their worth in helping staff propose policies more responsive to today's ferment of social and political change, as well as broadening the background against which the Distribution Committee must reach its decisions.[136]

Archibald L. Gillies, president of the John Hay Whitney Foundation, contributes a thoughtful up-to-date analysis and commentary on foundations' response to critical public issues in the "Open Forum" section of the *Foundation News*. Gillies raises questions he believes foundations should answer:

> Do philanthropic foundations address themselves to the way in which major political and economic institutions in the United States are arranged;
>
> Do we question whether these systems encourage or suppress the people in the exercise of their individual rights, of their community responsibilities and of universal human values?
>
> How are foundations dealing with such fundamental questions of structure?
>
> Are we living up to the label of "forward-looking and innovative?"[137]

The Governmental View of Foundations' Role in Institutional Change

On this important issue our search of the literature revealed virtually nothing of substance from elected or appointed officials. The thrust of congressional investigation and debate has been on real and imagined abuses of tax privileges by some foundations, and on legislation that will correct the situation. Rather than emulating the few foundation ventures designed to correct institutional abuses and dysfunctions, Congress has generally reacted with timidity or hostility to such approaches.

A rare exception is the speech made by Senator Vance Hartke of Indiana to a tax conference in the late winter of 1974. Senator Hartke, chairman of the Senate Finance Committee's Subcommittee on Foundations, said foundations "should emphasize the innovative and creative," suggesting some tasks that foundations might undertake.

> We need to develop a national growth policy . . . to assess the impact of technology on our society . . . to develop new insights into the relationship between the United States and the rest of the world. Foundations must

> recognize the undercurrents of change which are running through our society and make grants which may help to influence social change.[138]

Other Views of Foundation Participation in Institutional Change

The case for and against foundation involvement in "social activism" was presented at a nonpartisan educational forum, The American Assembly, at its November 1972 conferences at Arden House, Harriman, New York. John Simon, professor of law, Yale Law School, and president of the Taconic Foundation, presented the case for social activism. Taconic Foundation has financed voter education projects in the South and other activist projects.

The case against social activism was presented by Jeffrey Hart, professor of English at Dartmouth College, and an editor of the *National Review*.

Simon, in developing his position, states that it is impossible for a foundation to avoid controversy or effecting some measure of social change when it distributes money. The question "becomes one of *ways and means* of participating in controversy or social change" – e.g., direct or indirect, explicit or unstated, contentious or purportedly "neutral." He selected the issue of foundation involvement in "public affairs" as a way of examining the matters of ways and means.

> For purposes of this paper I will define the "public affairs" activities of foundations as those activities which seek to study, criticize, inform people about, and modify the actions of the executive, legislative, and judicial branches of government at all levels. . . . They therefore include activities now permitted to foundations and some that are not. In short, the term "public affairs" embraces that broad range of activities that the House Ways and Means Committee, in May 1969, tentatively proposed to place off limits to foundations: "any activities intended . . . to influence the decision of any government body . . ."[139]

Simon applies his definition to the hypothetical support by a foundation of activities designed to bring about better government performance in the environmental field, listing the following specific activities:

1. Conducting research which yields general conclusions about the necessity for certain improvements in government programs . . .

2. Conducting demonstration projects . . . to explore ways of improving governmental performance in this field.

3. Engaging in newspaper and television advertising which demonstrates, with dramatic photos and slogans, the need to avert the approaching cataclysm (but which does not mention governmental action).

4. Engaging in newspaper and television advertising urging the voting public to consider the "environmental credentials" of all candidates for public office (but not mentioning any particular candidates or contest).

5. Running a program to educate citizens about their rights to register and vote and to encourage them to register and vote (and mentioning the environmental crisis as a reason for electoral participation).

6. Lobbying for changes in environmental control legislation by communicating with legislators and starting "grass roots" letter-writing campaigns.

7. Publishing analyses of the adequacy of current environmental legislation, together with recommendations for new laws.

8. Monitoring and publicly criticizing the work of the executive branch in enforcing existing laws.

9. Organizing (lawful) picketing and demonstrations to call upon the executive branch to enforce existing laws.

10 Initiating litigation (on behalf of a variety of environmental groups) to compel compliance with existing environmental laws on the part of governmental agencies charged with enforcement.[140]

He notes that "existing statutory, judicial, and administrative precedents do not prohibit items 1, 2, 3, 4, 8, and 9" and that, within certain restraints placed on them by the Internal Revenue Service, items 6, 7, and 10 could be pursued, at least by some foundations meeting IRS requirements. Simon adds:

> The question before us is whether any of these activities – always assuming that they are undertaken in furtherance of a foundation's chartered purposes – *ought to be* out of bounds, prohibited either by law or by self-imposed restrictions.[141]

Simon examines four categories of arguments that are advanced to *limit* the role of foundations in public affairs:

> *Definitional* arguments (relating to the etymological and historical "meaning" of charity); *effectiveness* arguments (relating to the utility and social impact of foundation work in public affairs); *normative* arguments (relating to the fairness and the democratic quality of foundation public affairs activity); and a *prudential* argument (relating to the possibility of reprisals against foundations as a result of their "politicization").[142]

The definitional argument applies to all philanthropic organizations, not just to foundations. It notes that the word "charity," which is derived from the Latin "caritas," "implies a giving and supportive role, not legislative, litigative, and other forms of adversarial combat."[143]

Simon contends that this argument fails to distinguish between means and ends. He next turns to the effectiveness argument, which he breaks down into the "argument of nonnecessity" and the "divisiveness argument."[144] In refuting the first, Simon cites the evidence of such urban problems as high unemployment among black youth, violent crime, deteriorating housing, the serious fiscal condition of urban schools, among others, as indications that particularly in the "inner-central-city" and the "larger-older-suburb," many residents do not share in the comfortable life.

The divisiveness argument maintains "not that the foundations' involvement in public affairs controversy is unnecessary, but that it excessively polarizes and divides the country and tends to pave the way for totalitarianism." Simon cites Daniel Patrick Moynihan as a spokesman for this point of view in contending that foundations will be playing a deadly game unless they are "even-handed in the political consequences of these activities, seeking neither to advance nor impede any cause save that of understanding and competence."[145] Simon comments:

> I think I understand his fear of the consequences that may be brought about by mindlessly provacative confrontation tactics, social change by shock treatment, the irresponsible narcissism of those who do not have to live with the racial or class warfare that ensues. I believe foundations have rarely supported that kind of activity, however, and Mr. Moynihan's book, *Maximum Feasible Misunderstanding,* does not convince me that any of the foundations are guilty.[146]

Normative arguments, the third category described and analyzed by Simon,

> . . . tell us that it is not right for foundations to engage in public affairs activities, for in so doing they offend against (1) a concept of fair play as between users of pre-tax and after-tax dollars (the "unfair competition argument") and (2) a concept that it is undemocratic for "non-accountable" institutions to use "public" funds to affect the outcome of governmental decisions (the "shadow government argument").[147]

The unfair competition argument says:

> This contention, which applies to foundations and all other charitable organizations enjoying the right to receive deductible contributions, reflects a Marquis of Queensbury approach. It is not fair, we are told, for a charitable body to advance positions on any side of a public affairs controversy, for its ability to use "pre-tax" dollars (dollars on which the donor received a tax deduction and on which the recipient organization pays no income tax) gives it an unfair advantage over other public affairs advocates who must use "after-tax" dollars (dollars to which the privileges of deductibility and exemption have not attached). The argument has a very slender basis in fact.

Simon cites the tax exemptions of labor unions and veterans's organizations, also business organizations when such expenses are related to their business needs.[148]

The fourth and last category dealt with is labeled the "prudential argument." Simon states:

> The distinction between this argument and the other arguments we have considered – the fact that the prudential objection is wholly expedient and does not purport to invoke questions of principle – becomes clearer if we consider the position of Robert Paul Wolff, a Columbia professor who is a "self-proclaimed radical." Considering the questions of whether universities ought to remain "neutral" on political questions, Professor Wolff contends that neutrality is impossible because of the university's deep involvement in the surrounding economic and cultural order . . .[149]

Simon observes that a "similar point is made with respect to foundations and their 'non-neutral' (or, in Professor Moynihan's term, non 'even-handed') involvement in public controversies." He examines the kind of activities that aroused congressional displeasure and concludes that "the objects of Congressional ire were not the 'public affairs' activities under discussion here."[150]

From a different perspective, Jeffrey Hart criticizes the foundations' participation in social activism by analyzing the issue within the context of the "populist appeal" made in 1972 by "politicians of diverse views." Though manifest in different ways, Hart states:

> The common denominator in all of this was the feeling on the part of the ordinary American that he was being put upon by one or another feature of the system – that vested interests, government agencies, the Supreme Court, the rich, or the tax structure were impinging upon his life in a malign way and that he, himself, could do little about it. [This feeling represents a traditional American] appeal to the privilege, recognizable in Jacksonian democracy or in the movement that followed William Jennings Bryan. . . ."[151]

Hart, in briefly describing some of the concerns expressed by congressmen during the 1969 hearings on the Tax Reform Act, considers the "gut issue" to have been "the role of the larger foundations as a kind of shadow government, disposing of substantial political and social power, and using that power in ways that are in fact highly questionable." Hart repeats the argument advanced by Treasury spokesmen and some legislators, that foundations are not responsible to an electorate and are using "public money" to finance their activities because of their tax-exempt status.[152]

A "sharp change" is detected by Hart in the nature of projects supported by large foundations:

> . . . once again, as in the days of the robber barrons, *Ford* and *Rockefeller* were in a fair way of becoming hated names in the land, for the great foundations began to involve themselves aggressively in political activities, bringing their vast resources to bear in ways that pit one group against another. "In the U.S.," as *Fortune* noted approvingly, "the foundations have developed into a powerful force for social change and human betterment – a third force, as it were, independent of business and government." A "third force" indeed! The country has made up its mind, as above, about the legitimate activities of labor unions, veterans' groups and businesses – but it is only beginning to consider the role of the tax-exempt foundation.[153]

Hart does not equate social change with human betterment, since "The fall of Troy, after all, was 'social change' . . . In the American context, one man's desirable social change may be another man's ruined neighborhood, or disrupted way of life, or lost election." Hart then cites seven Ford Foundation grants that reflect a "conspicuous form of irresponsible power."

1. The Congress of Racial Equality's voter registration drive in Cleveland in 1967;

2. The "various school decentralization experiments in New York City" in 1969;

3. Support of "open housing in the suburbs";

4. The Center for Community Change in Washington, D.C.;

5. ". . . a variety of extremist groups, who regardless of their impact on the community, were funded." Hart's examples include the Mexican American Youth Organization, the Mexican American Legal Defense Fund, the Universidad de los Barrios, and "a variety of black extremist groups."

6. The National Student Association, "a tightly controlled and self-perpetuating left pressure group about which few students were aware."

7. Grants to "eight former aides of Senator Robert F. Kennedy" which the foundation described as educational grants and Hart alleges were "severance pay for benignly regarded political functionaries."[154]

Hart attributes much of the foundations' politically and socially activist role to "the rhetoric of ethnic suffering, as orchestrated by James Baldwin, Malcolm X and others, which has filtered into the mass media . . ." In Hart's opinion, "the conventional rhetoric of crisis is not at all part of the solution, but a principle source of the problem, for it perpetuates a veritable reign of error."[155]

The solution, according to Hart, is "that the foundations concern themselves with activities that will be perceived as beneficient by all segments of the national community." Most of all Hart would like foundations to support "the creation of beauty," which, in his opinion, "like knowledge, is not divisive." He adds, "it is a disinterested value."[156] (Hart does not indicate how he would classify social protest art.)

Other views on institutional change were presented at the Anglo-American Conference on the Role of Philanthropy in the 1970s held in Ditchley Park, England, in the spring of 1972.

The American members expressed deep concern with the issue which was formulated at the conference as a dichotomy, "charitable vs. social or political action." Their view is reflected in the summary of "some of the conclusions reached . . . on likely developments in the field of charity over the next decade."

> American participants suggested that the future of philanthropy will depend, first, upon whether philanthropic action justified itself by making a significant contribution to the resolution of major social problems, and that this in turn would hang upon whether philanthropic bodies became involved in controversial public issues. The mood of the American society, the conference members were told, is to broaden the participation of the young, the blacks and other minority groups in decision-making. The question to be answered is whether givers – individuals, the corporations and particularly the foundations – will use their resources to find ways to encourage this involvement.
>
> Second, it was said that the future of philanthropy will depend upon who controls it and what kind of accountability will be demanded of bodies which are financed by tax-deductible giving and other fiscal concessions.
>
> Third, the role of philanthropy will depend on the attitude of governments towards it. If American governments continue to expand their own part in the provision of public social services, what freedom will they allow to philanthropy to influence social change? Is the United States becoming a society in which decisions as to the public interest will be more and more confined to elected representatives?
>
> Fourth, it was asserted that the ability of philanthropy to meet apparent and emerging needs rests on the adequacy of the flow of philanthropic funds . . . One speaker suggested that America had experienced much social change during an era of affluence (1945-70); he predicted "seven lean years" ahead and suggested that the role of philanthropy may be quite different in such a period.
>
> Fifth, maintaining a satisfactory flow of philanthropic funds will depend on charities' achieving a balance between support for traditional objects of philanthropy and financing new developments which are not yet sufficiently understood to attract wide public sympathy.[157]

A British spokesman, Harry V. Hodson, head of a public affairs consulting firm and formerly editor of the Sunday *Times* (London), noted that "another social phenomenon which we count upon persisting through the 1970s is minority unrest," giving examples from both the United States and the British Isles. He observes:

> In facing this phenomenon the task of philanthropy is more invidious and delicate. Of its nature it helps and champions the disadvantaged, but also it expresses the will of the present advantaged to ameliorate society, not to overturn it. If philanthropy were monolithic, its dilemma would be acute. Fortunately it is far from that . . . Some philanthropic people and institutions will choose the defensive, others the offensive path.[158]

John J. Corson, executive of an American management consulting firm, formerly professor of public international affairs at Princeton University and chairman of the Urban Coalition, reported the discussion on the topic of "Facilitating Social Advance" from an American perspective. In answer to the question, "Will private philanthropy be large enough during the 1970s to make a difference?" It was noted that the sparse empirical evidence that exists suggests that

> . . . at least 90 percent of all philanthropic dollars goes to the maintenance of existing institutions – the churches, hospitals, colleges and universities, the libraries, museums, art galleries and symphony orchestras, the homes for the aged and many others.

Corson's report continues:

> The majority of these institutions meet significant human needs, and the public interest justified their "maintenance." Some have become obsolete or redundant and should be allowed to die. Most are subject to the criticism of not being sufficiently concerned with building a more just and equitable society. Hence, the large proportion of available philanthropic funds which goes to their support leaves too few dollars free for pioneering, for promoting social change and for providing leadership.
>
> This critical fact, the conferees agreed, is a central argument for the existence and nurturing of foundations.[159]

Similar conclusions were reached by the Peterson Commission. Its report raises the question

> . . . of whether social change in our day will be a product of the blind play of accident and force or whether it will result from rational reflection and deliberate choice . . . In an era of unprecedented technological innovations, social innovation lags seriously.[160]

The commission's analysis recalls that advanced by Vernon Jordan, executive director of the National Urban League, emphasizing the need for diversity of sponsorship of orderly social change in our pluralistic society.[161]

The report by Ylvisaker and Mavity, previously noted, is germane to the question of foundation involvement in institutional change. Their concept of "public affairs" embraces both institutional change and the structure and behavior of governmental entities, and includes four component purposes, as follows:

First: *to improve the processes and the competence of government.*

Second: *to help define and clarify issues for public consideration and governmental action.*

Third: *to help ensure the rights and equal participation in government and society of all members of the public.*

Fourth: *to improve the responsiveness of the private sector to public needs.*[162]

A subcategory of the first goal is "the 'watch-dog' function – private monitoring of governmental performance," such as "monitoring the effects of revenue sharing on the poor and minorities." Two foundations, Edna McConnell Clark and the Rockefeller Brothers Fund, have made grants for this work to the League of Women Voters Fund, the National Urban Coalition, Center for Community Change, and Center for National Policy Review.[163] All but the last of these four groups have members of ethnic minorities on their boards.

"Monitoring delivery of social services and administration of justice in the South" is another subcategory of the watch-dog function. The Southern Regional Council, an interracial organization, is currently the recipient of grants from three foundations: Carnegie Corporation, Field Foundation, and Ford Foundation.[164]

The second major goal includes two subcategories in which foundations have been significantly involved, "research and publication" and "demonstration."

Examples of foundation support of research are numerous and include both organizational and individual efforts. One study of particular relevance to minority concerns (as well as to poor populations) is the task force on *Hunger U.S.A.*, supported by the Field Foundation. Foundation grants also helped to support the Commission on Private Philanthropy and Public Needs and the work of the Peterson Commission.[165]

Demonstrations which offer "new approaches to a solution of public problems," which got all or some of their financing from foundations, include such projects as the "Harlem Street Academies," Newark's "Call to Learning," the Ford Foundation "gray areas" program of the 1960s, and a test of self-help housing in Indianapolis.[166]

The third major goal consists of five subcategories related to minority populations.

1. *Research, publication, and public education* includes foundation support of

> . . . studies, surveys, conferences, and publications on human rights and human relations by such national organizations as ACLU, NAACP, the National Urban League, the Center for Urban Ethnic Affairs, the National Committee Against Discrimination in Housing, and, in the South, by the Southern Regional Council . . . at the local level, chapters of national organizations and hundreds of local committees and councils carry on the incessant struggle for the rights of racial and ethnic minorities, consumers, children, prisoners, welfare recipients, the mentally ill, the elderly.

The Ford Foundation's support of the Center for Civil Rights at the Notre Dame Law School is one example of private support of research programs and special institutes in universities.[167]

2. *Special educational opportunity for the disadvantaged* embraces programs for all age levels from pre-school to graduate education. Foundations of all sizes have made contributions in this area. Ylvisaker and Mavity report that in the past decade 748 foundations have given at least $179 million to black colleges, universities, and professional schools. In addition, the United Negro College Fund, which receives foundation, corporate, and individual contributions, distributes about $11 million annually to its participating members.[168]

Among educational institutions for native Americans, the Navajo Community College in Arizona received money from the Ford, Mellon, and Weatherhead Foundations.

Other foundation efforts include Rockefeller Foundation grants, since 1964, for increasing minority enrollment in predominantly white colleges and universities, the Danforth Foundation's grant to the Southern Association of Schools and Colleges to upgrade predominantly black colleges, and the cooperative effort of a number of foundations, the NAACP Legal Defense Fund, and the Law Students Civil Rights and Research Council to recruit and support black law students for predominantly white law schools in the South. (By June 1973 this program had helped 119 law school graduates and had received support from 21 foundations and 15,000 individuals.)[169]

3. *Community organization, development and service.* Ylvisaker and Mavity observe that "there is scarcely a foundation . . . in an urban area that has not contributed to some form of community development or service activity." Examples are the National Center for Community Change and Chicago's Woodlawn Organization, minority economic development enterprises including the national network of Opportunities Industrialization Centers and New York City's interracial Committee for Business Opportunity, and organizations involved in constructing and managing nonprofit housing for low-income families (prior to the moratorium on federal housing subsidies) such as the national Nonprofit Housing Center and North Carolina's Low-Income Housing and Development Corporation.

The best known of the many community development corporations organized during the War on Poverty is New York's Bedford-Stuyvesant Restoration Corporation. These CDCs often got their start with foundation seed money, and then continuing support from governmental sources.[170]

4. *Voter registration projects.* These were noncontroversial when conducted as a nonpartisan effort by such organizations as the League of Women Voters and the American Heritage Foundation. They became controversial in the 1960s when they focused on registering ethnic minorities, principally blacks and those of Spanish heritage, who were underrepresented in the voting population.[171]

5. *Public interest law,* with a goal of "equal participation in society and government." Organizations working for minority concerns, particularly in areas requiring governmental actions, have existed for many years. The nature of their work usually precludes tax-exempt gifts. A more recent trend is the creation of tax-exempt, privately supported public interest law firms which utilize court procedures to challenge restrictive or discriminatory policies and practices of, chiefly, public agencies. Examples of minority-oriented and minority-controlled public interest law firms are: NAACP's Legal Defense and Education Fund, Puerto Rican Defense Fund, Mexican-American Legal Defense and Educational Fund, Alaskan Natives Foundation, and the Native American Rights Fund. Foundations are their major means of support, these three groups in particular: the Stern Fund, The Ford Foundation, and the Edna McConnell Clark Foundation.[172]

The fourth major goal, "improving responsiveness of the private sector to public needs," has two relevant subcategories – "college and university resources for community service" and "more responsive and responsible philanthropy."

Universities, through foundation grants, have provided "urban communities with technical assistance analogous to that supplied by the land-grant colleges in rural areas." Concurrently, there has been a rapid increase in the number of urban affairs research and service centers, "most with some private support." University law schools have also sponsored neighborhood legal services.[173]

Other examples include work by the Council on Foundations "to make foundation activity more responsive to public needs and more selective in grant making"; the Association of Black Foundation Executives, also "foundation financed, whose mission is to provide input from the black community to foundation policy and programs"; and the Filer Commission.[174]

Ylvisaker and Mavity explain the greater foundation responsiveness to public affairs during the 1960s as follows:

> Social protest, responding bursts of political liberalism, sustained economic growth, and mounting threats of urban violence – all combined to ignite a new mood of urgency and risk-taking in American philanthropy during the decade of the '60s. Public affairs activity burgeoned, some under duress, much of it a release of idealism and energy long constrained within corporate and foundation bureaucracies.[175]

The authors note that the "high water mark in the tide of public affairs giving, in dollar terms, seems to have been reached in the early 1970s." They attribute the recent decline to our depressed economy and the shrinking dollar. They do *not* see that the share of giving to public concerns is dwindling.

> Despite the oft-burned fingers of philanthropists who moved closer to the social fires in the 1960s, and their outcries when burned again by the Tax Reform Act of 1969 and in the accompanying bonfire of public criticism, there seems to be steady and even rising acceptance of the private role in public matters.[176]

These scholars perceive a willingness of foundations to "contend with the ever-more-rugged realities and imponderables of public issues," but also forecast the possibility of a more basic change, a "restlessness to move philanthropy away from its traditional ties . . . and bureaucratized solutions . . ."[177]

Ylvisaker and Mavity analyze the "logic and counterlogic of philanthropy's role in public affairs," as a desire to improve the process of government itself, to bring about greater and more varied participation and thereby affect the power structure, and to illuminate public issues for action.[178]

They proceed to present the logic of philanthropic participation in public affairs. They make these points:

> A. *Given the values on which American society is based, it would have been – and still is – almost impossible to bar philanthropy from such a role.*
>
> B. *Once in, private philanthropy has been so benignly suffused . . . throughout American public affairs that, it would be impossible . . . to root it out.* [Governmental, semi-public, and private institutions] have become so 'interdependent' on the flow of private giving that they cannot, for all practical purposes, disengage.
>
> C. *More positively, both government and citizenry . . . need the re-inforcing effects of a relatively independent third force.*[179]

The authors list the functions that foundations perform.

> (1) *Society's catalyst:* . . . putting things and people together.
>
> (2) *Government's partner* in a myriad of supportive non-threatening ways . . .
>
> (3) *Government's "pain child":* absorbing the anguish and blame that goes with . . . trying something new when political reality rules out everything that's been tried before.
>
> (4) *Government and society's incubator of new ideas and processes . . .*
>
> (5) *Government and society's "passing gear"* – the ability to respond quickly to "unexpectedly rapid social change . . .
>
> (6) *Government and/or society's conscience, gadfly, judge, measuring rod, competitor, even "slow-it-down."*
>
> (7) *Symbol of reason, impartiality, statesmanship – the "Good Housekeeping Seal of Approval."*[180]

Despite these governmental connections, a major change may now be at hand:

> After nearly a generation during which private philanthropy's dominant posture has been that of government's friend and society's accelerator, there's a noticeable shift – even and especially among those thought "liberal" – toward monitoring governmental performance and drawing protective boundaries around individual rights and privacy. The result may be more governmental activity (the demand for performance), it may be less (elimination of snooping). The driving motive is to make government at once more effective and less threatening – an interesting twist that may pull the left and the right wings of private philanthropy toward a common ground.[181]

Ylvisaker and Mavity finally examine the "counterlogic and resistance to private philanthropy's intervention in public affairs." Their six main arguments are:[182]

1. Private philanthropy is a "tool of the monied interests, especially the too-liberal 'Eastern establishment'."

2. It is "inherently elitist and irresponsible, too much so to be allowed to exert an influence on the process of government and the consideration of public policy – or for that matter as the tribune of the people and the champion of the forgotten and oppressed."

3. Private philanthropy inflates public hopes and ultimately, public budgets, by finding "new public needs and arousing new demands to meet these needs."

4. It is "as fallible, as inefficient, as faddist, as opinionated, as capricious and as unreliable as the government process that it presumes to affect."

5. It is "wasting its potential, and hasn't really earned the tax benefits that have been showered upon it."

6. "Finally, private philanthropy – far from being a model of all that is righteous, reasonable and above politics, is a tax dodge with its own grubby self-interests and inherently incapable of serving as a nobler symbol . . . the prejudice of self-aggrandizement and preservation, and especially the approval of one's peers, powerfully affects the calculus of giving, even in the most scrupulous of philanthropists."

The National Center for Urban Ethnic Affairs, Washington, D.C., is "concerned with the development of public social policy that responds to the convergent issues facing urban racial and ethnic groups" according to its president, Msgr. Geno Baroni. On May 13, 1974, Msgr. Baroni addressed the Senate Subcommittee on Foundations, commenting on recent remarks by the subcommittee chairman, Vance Hartke, to the effect that "foundations must recognize the undercurrents of change which are running throughout society and make grants which may help to influence social change":[183]

> Our good experience with the Ford Foundation has enabled us to work in more than 10 to 12 cities where working class – heavily ethnic communities live next to or in changing neighborhoods with black and Spanish speaking groups. While some people with an elitist approach believe we must depolarize white working class groups – our experience in community organization demonstrates we must be sensitive to the realities facing different groups of Americans . . .
>
> We have no real neighborhood policy in this country – people should be paid to work in their neighborhoods, to develop bridge issues and convergent issues between groups to stabilize neighborhoods. Housing lasts 300 to 500 years in some European cities, but here a neighborhood falls apart in a generation. Racial and ethnic exploitation, lack of economic and tax respect for neighborhoods are the terminal cancers, waiting to be cured, but ravaging on instead to kill our cities, and to increase hostility and isolation between different Americans.[184]

In this chapter we have focused on one issue relating to foundations' relevance in today's society: that of institutional change. It is our perspective that questions regarding institutional change are critical for minorities. Dynamic and innovative approaches to basic system structures are required to diminish the handicap under which minorities labor.

Few empirical efforts have been made to determine the opinions and perceptions of members of the public regarding attitudes toward foundation programs dealing with institutional change, though one "survey of opinion leaders" by the Peterson Commission indicates more public tolerance than is perceived by foundations themselves. We have presented a wide-ranging variety of personal comments culled from diverse sources to illustrate opinions of different segments of society.

Certain unique foundations are more forceful than most others in pursuing social change goals. Foundations generally, however, appear to take a very cautious stance on funding programs with institutional change value. This conclusion is based on both the available spectrum of opinions offered by foundation representatives in the literature and on empirical data attempting to measure foundation change-oriented efforts in terms of grant numbers and dollar value.

Independent minority spokesmen who have gained a foothold in the foundation world and have publicly addressed themselves to the issues are highly critical of the attitude of foundations toward social- and institutional-change projects. They present viewpoints and offer suggestions which have received little audience, and less heed in foundation circles. Though their voices appear necessarily discrete, the tenor of opinion is uniformly critical.

The issues are complex and opinions based on frequently opposing rationales. Few have attempted to develop typologies of programs which focus on change variables. The purpose of this chapter has been to set forth a fairly comprehensive sampling of the opinions, rationales, and typologies which now exist in the literature relevant to institutional change. The question has not often appeared as a matter of discussion or debate. It would seem, as one observer noted, that "too many foundations support only people and projects that unquestioningly accept orthodox assumptions about the nature and consequences of the institutions that mold our society."[185]

V

PROGRAMS AND VIEWPOINTS RELATING TO MINORITIES – FOUNDATION INVOLVEMENT IN POLITICAL PROCESSES, HIGH-RISK PROJECTS, AND CULTURAL HOSPITALITY

Foundation Involvement in Studies or Actions Affecting Governmental Structure, Policies, Programs, and Political Processes

Foundation support of projects designed to bring about institutional change, as has been noted in the preceding chapter, frequently involves or affects governmental structure, policies, programs, and political processes. A brief summary of relevant documentary material, not already presented, follows.

Native American Control of or Influence on School Boards

Richard J. Margolis, in an article published in *The Foundation News* in 1973, describes pressure by native Americans "to control their own schools," beginning several years ago with an experimental Navaho-controlled school in Rough Rock, Arizona, which received a grant from the Donner Foundation and from several federal agencies. The program included teaching Navaho language and culture.

The author reports that the "experiment worked and immediately inspired the organizing of other Indian-controlled schools in more than a dozen states, including two community colleges among the Sioux of Rosebud and Pine Ridge reservations in South Dakota."[186]

Currently, two foundations, Akbar and Elliott, are giving partial support to the Coalition of Indian-Controlled School Boards which has 32 organization members. Members of the coalition seek "to gain control or influence over local public school boards." One successful effort to bring about change is described.

> On the St. Regis Mohawk reservation in New York State, . . . parents staged a one-day school boycott after they discovered their all-Indian public school lacked new books and supplies, while the white schools nearby had plenty of everything. White administrators mechanically denied their charges – and then, under cover of night, unloaded seven truck loads of books and other educational materials at the Mohawk school. It was a fascinating lesson in the uses of red power and white guilt.[187]

Foundations making these types of grants were helping to change governmental structures and programs. Their grants also illustrate "cultural hospitality in grant-making," an area we will cover in greater detail in a subsequent section.

Public Attitudes Toward Foundation Involvement in Public Affairs

One indication of the extent to which potential voters are sympathetic to foundation involvement in public affairs is revealed by a public opinion survey (made in November 1972).

The survey, by the Gallup Organization for the Council on Foundations, conducted interviews with a national sample of 1,467 adults to determine the public's attitudes about various aspects of foundation programs and public policy. We will present data showing the proportion of the interview sample that favors each of 22 types of projects.

Each respondent was shown a list of the 22 projects and asked to select one or more that the respondent "would especially like foundations to support." (The order of listing projects was varied in order to minimize bias.) Types are listed in descending order according to the proportion of favorable support.[188]

	Project	Percent
1.	Preventing drug abuse	68
2.	Hospitals, health clinics	56
3.	Study of ways to help older people	52
4.	Pollution control and environmental protection	48
5.	Prevention of juvenile delinquency	47
6.	Preservation of peace	43
7.	Promotion of laws to help older people	37
8.	Low cost housing	33
9.	Studies and experiments with new health care plans	32
10.	Changes in the prisons and criminal correction system	31
11.	Consumer protection agencies; such as, Ralph Nader's group	26
12.	United Funds, Community Chests and established charities	24
13.	Population control	23
14.	Private schools and universities	23
15.	Public and educational television	22
16.	Civil Rights for minority groups	22
17.	Drives to get people to register to vote (but not for a particular party or candidate)	22
18.	Churches	21
19.	Promotion of laws for low cost housing	20

	Project	Percent
20.	Symphonies, ballet, art galleries, museums	17
21.	Scholarly research in history, economics, social studies	17
22.	Equal rights for women	11

We believe that 15 of the types listed would, of necessity, require involvement with segments of the government, and/or with influencing voter behavior, and that for some, the involvement would be substantial and require institutional change of some magnitude. The types so designated are: 1, 4, 5, 6, 7, 8, 9, 10, 11, 13, 15, 16, 17, 19 and 22. Collectively, we believe the data indicate that public opinion will support a considerably more social activist foundation role than either Congress or many of the foundations themselves think possible or desirable.

The Gallup report includes these additional data:

The analyses by population groups reveal many substantial differences between the various population groups in the sample. For example:

1. "Pollution control and environmental protection" is favored by more of the younger than of the older people interviewed and also by more of those who had attended college (66%) than those who had attended high school (50%) and grade school (26%).

2. "Low cost housing" was favored by many more (52%) of the non-white population than of the white population (30%).

3. "Support for Civil Rights for minority groups" was favored by more Democrats (27%) than Republicans (13%) and many more of the non-white population (52%) than of the white population (17%).

4. "Preventing drug abuse" was named by large majorities of *all* population segments.

5. "Population control" was chosen by more of the younger than of the older people interviewed.

6. "Study of ways to help older people" and "Promotion of laws to help older people" were selected by about as many of the younger as of the older people in the sample.

7. Support for "Symphonies, ballet, art galleries, museums" was favored by more of those with larger incomes than of those with smaller incomes and by many more of those who had attended college than of those with less formal education.

8. Support for "Consumer protection agencies; such as Ralph Nader's group" was favored by more of those who had attended college than of those who had not and by more of the professional business people than of those in other occupation groups.[189]

Although a much larger proportion of non-white as compared to white respondents favored "low cost housing" and "Civil Rights for minority groups," a significant percentage of all respondents favored these two types of projects (33 percent and 22 percent).

Views of Americans Attending the Anglo-American Conference on the Role of Philanthropy in the 1970s

Some of the views of Americans participating in the conference held in Ditchley Park, England, in 1972 on the issue of "charitable vs. social or political action" were presented in the preceding chapter. A further delineation of these views is developed in the conference report, under the heading "Influencing Public and Political Opinion." It states that the American members

> . . . contended that philanthropically supported agencies should be privileged to use their funds to speak for the disadvantaged groups whom they serve. That there could be abuses if charitable bodies were to become directly involved in political campaigns, or were to become effectively "front organizations" for political viewpoints, was generally acknowledged. This, however, was not believed to be adequate reason for denying charitable bodies and social agencies the freedom to state their views when the forum in which decision would be made was a political one.[190]

Financing High-Risk Projects, Groups, or Organizations With No Established Track Record

Published material dealing with this topic is spotty. Some references are made to both the opportunities and the constraints foundations experience in carrying out their sometimes conflicting duties as trustees to use foundation resources prudently, while at the same time being responsive to new ideas and interested applicant organizations.

We shall view these issues from the perspective of four types of commentators: (1) scholars or professional organizations, (2) public officials, (3) minority spokesmen, and (4) foundation spokespersons.

Perspective of Scholars and a Professional Organization

Arnold Zurcher states:

> Foundations have been urged to set aside a modest portion of their capital – for example five percent – for such investment [equity investments in ghetto areas] or to combine with other foundations to form and endow a separate corporation the sole business of which would be that of providing "soft-loan" or social-venture capital.
>
> The proponents of this kind of foundation investment point out that, by providing resources to establish or expand high-risk enterprises in the ghettos of our cities, foundations would be complementing the grants they have made to train the poor, the unemployable, and minority victims of social and economic discrimination. By making it possible for them to establish a business or invest in one, the foundations would provide an opportunity to use the training which had been given to them and to demonstrate its value. Defenders of the policy also remind foundations that, by providing "soft-loans" or investments of this sort, they are being true to their tradition of risk-taking.

Also, they can afford to take the risk. The record of this type of investment is not good, however; foundations may "shy away" from it because, with tax-exempt funds, they would be competing with businesses that have no such advantage.[191]

A related view is presented by Zurcher and Dustan in a book on foundation management written shortly after passage of the 1969 Tax Reform Act:

> Chastened and in some cases frightened, by the 1969 Tax Reform act, many foundation administrators apparently aim to create as few ripples in the social pond as possible in carrying out their programs ... The 1970s, however, would seem to be a period of consolidation for foundations, of waiting to interpret the mood of the country and the government. The suspicion is that it will not be a mood calculated to encourage experiment and innovation ...[192]

Warren Weaver, whose book *U.S. Philanthropic Foundations* was published two years before the TRA, reflects a more traditional and widespread foundation view of the advantage of making grants to established agencies and institutions, and of the essentially knowledge-gathering purpose of foundations. He writes:

> The contributed chapters inform us that foundations, apart from some activities in the humanities and creative arts, have largely worked through universities and colleges, research institutes, professional institutions, and learned societies. This is wholly understandable, for in such places are located the great majority of individuals who have the training, the capacity and the determination to accomplish the purpose that so generally preoccupies foundations, namely, the extension of the frontiers of knowledge.[193]

Seven years after this was published, the American Association for the Advancement of Science, at its March 1, 1974, meeting in San Francisco, expressed concern about the "unintentionally discriminatory" practice of foundations and other funding agencies which adversely affect "qualified scientists" who do not meet an age criterion, or who do not have the "necessary institutional connections to allow them to apply for research grants and fellowships." The policy-making council of AAAS noted that current criteria "discriminate against members of social categories, especially women, whose career patterns may differ from the traditional pattern of white males ..." In addition, they discriminate

> ... against atypical individuals, younger professionals, minorities and women by reinforcing the already existing effects of employment biases and aggravating the consequences of a shrinking job market.[194]

The Association's suggested solution is:

> (1) Urge all relevant granting agencies and foundations to eliminate consideration of chronological age for all categories of grants and fellowships, and
>
> (2) Investigate ways of creating institutional connections for qualified scientists who may lack them but who wish to apply for research grants and fellowships.[195]

Views of a Public Official and of a Minority Spokesman

Senator Vance Hartke, chairman of the Subcommittee on Foundations of the Senate Finance Committee, made these observations about risk taking in a statement before his subcommittee:

> There is much to be said for those grants which sustain programs until such time as they develop enough momentum on their own. But this type of grant does little to make foundations essential or even desirable to our society. What is needed is more innovation and experimentation.[196]

Hartke also said, as reported in a recent issue of *Foundation News*, that while "foundations may be all too prone to support 'safe' activities," diversification of those involved in the grant-making decision will open up foundations to new insights and new approaches.[197]

Vernon Jordan, a spokesman for black concerns, disputed those who criticize foundations for being too heavily involved with organizations that have no track record, or are working for social change:

> While they may stop short of suggesting that foundations transform themselves into conduits for Ivy League colleges, one gets the feeling they wouldn't be overly upset if that happened.[198]

Foundation Perspectives

The president of the John Hay Whitney Foundation, Archibald Gillies, examines recent involvement by foundations in public issues and in support of ethnic minority efforts within the context of two larger questions: "Does our political-economic system work? And, if not, what are foundations doing about it?" Gillies presents evidence from six current public issues that, in his judgment, provoked the questions. The first of these relates to foundation efforts to help high-risk groups who are caught up in overwhelming national forces.

> Efforts, some supported by foundations, to build stability in small city communities are often overwhelmed by the ups and downs of larger forces of the national society, especially the sudden changes of business activity and governmental programs. Separatist groups that split off to seek their own insulated sense of cooperation and self-support did so, in part to ward off these uncertainties. Some of these have had a measure of success, as Nairobi College, in East Palo Alto, or Newark, but many have not succeeded against the tide and a few took the form of violent sub-groups like street gangs, the Manson "family" and the Symbionese Liberation Army. The rebuilding of pride and stability, therefore, at a small scale will not be easily achieved without the majority society taking part . . .[199]

Gillies believes "that foundations are not facing basic political and economic questions." In addition to suggesting that foundations study these issues and "suggest alternatives to present institutional arrangements," he also states

> We should make a far greater effort to support individuals and organizations that ask a variety of searching questions about the economy, about corporations, about labor unions, about foundations, about governmental budgets and about the way each of these areas relates to the others, and their effect on individual Americans.[200]

One foundation involved with the economic problems of black populations is the Twenty-First Century Foundation, organized in the latter part of 1971. It is unusual, not only in its objectives and method of operation, but also in its interaction with two other separately incorporated, black-controlled organizations — the Black Economic Research Center and the Emergency Land Fund. "This trio of organizations," to quote the 1972-73 biennial report, "is committed to the task of mobilizing and organizing the resources required for the assault on the shackles which restrain the black man's progress . . . "[201]

At present, the report states,

> . . . the black community's specific needs must continuously compete for both attention and funds with the demands coming from the medical research

> institutes, from the arts, from the universities, and from the whole range of non-self-supporting activities which are vital to American society.
>
> . . . the black community sees that millions of dollars are being spent in its behalf by a number of foundations, but with very little real development being accomplished. . . with the result that disenchantment with "the black problem" develops within the foundation world.
>
> Two objectives of the Twenty-First Century Foundation are (a) to provide an assured source of funding for black developmental efforts and (b) to provide guidelines to other foundations for the allocation of their funds for black-oriented projects.[202]

The report notes that "two areas where the wealth disparity between the races is most pronounced are the business world and the foundation world." Despite publicity, the federal administration's "black capitalism concept" has not resulted in marked improvement in the black business sector. "The value added by black business enterprise is less than one-tenth of one percent of the nation's GNP."

The Twenty-First Century Foundation aspires to increase its resources to the level of "tens of millions of dollars [and to] sit on a par of equity with other major foundations in America." It faces difficulties because, as the report states, "it is necessary to build a black foundation from the ground up rather than from the top down."[203]

The foundation describes the "absence of any substantial fund of black equity capital" and the financial dilemma faced by black Americans:

> The scattered pockets of black venture capital which do exist are usually inadequate to provide the equity required for the launching of business ventures of substantial size and the result has usually been either the creation of fairly small enterprises or else an undue reliance on white capital, from individuals or from institutional sources such as the Program Related Investment (PRI) programs of some of the churches and foundations. Although these PRI funds are commendable attempts to meet the capital needs of minority businesses they cannot really be viewed as substitutes for black equity money because they are not really assets belonging to the black community. Thus they must either take the form of debt, which may be financially unsound, or if they are received as equity they may so dilute the black-owned equity as to reverse the ethnic image of the business.
>
> [The Foundation has therefore] committed itself to invest from 20% to 30% of its capital assets in promising black business ventures. In this way it will serve as a strong and credit-worthy black partner to black venture capitalists who are in need of additional equity money . . .[204]

The foundation's rate of growth has been less than hoped for: in its first two years of operation it received $831,272 in gifts "of which $503,000 came from the original benefactor."

Ford Foundation initiated its Program Related Investment (PRI) program in 1968. As stated in the program's report in 1974:

> There were several motives in establishing the program. First, the PRI program would enable the Foundation to stretch its limited resources through the use of investment as well as grant funds. Second, it was hoped that PRI would induce other institutions – banks, insurance companies, government agencies – to devote more of their resources to social investments. Finally, PRI would enable the Foundation to support organizations which, although engaged in socially important activites, are ineligible for grants because they do not qualify for tax exemption.[205]

In a 1969 article describing the program, B. P. Atterbury, administrative officer of The Ford Foundation, emphasized that the foundation "is attempting to respond to the need for credit to speed economic development of the disadvantaged" by making investments to

> . . . create and upgrade job opportunities; encourage minority entrepreneurship and participation in the professions and at management levels in major businesses; and increase ownership of a variety of income-producing and other properties.[206]

Atterbury noted that the foundation, in "helping to cure the problems of the inner city," also "recognizes the relationship of rural economic development with inner-city conditions." It "encouraged institutions that shape and share values in both arenas."[207]

According to the 1974 report of The Ford Foundation,

> In the five years since the PRI program began, the Foundation has made forty-eight investments totaling $38 million. The total authorization for the program is $50 million. Six of the investments have been totally repaid, five have been written off as failures, and one has been sold at a loss. The remainder are operating in varying degrees of business health. About half of the PRI recipients have also received Foundation grant support.
>
> The Foundation does not consider the proportion of failures – some 10 percent of PRI funds disbursed to date – excessive in view of the riskiness of many of the enterprises and the experimental nature of the program.
>
> Most of the investments written off by the Foundation are in the area of new business development. The projects have included a national magazine for black women, an industrial development enterprise in Mississippi, an apartment house cleaning service in Washington, D.C., a tomato-growing enterprise in West Virginia, and a bakery in Louisiana. The failures are attributable to problems usually attendant upon new enterprises . . .[208]

The report points out that

> Taking into account administrative costs ($2.6 million for management and $1.7 million for foregone income), the cost of the program for five years totals $6.5 million, or 21 percent of the funds disbursed or guaranteed. Compared with a grant, therefore, the cost effectiveness of the PRI program is currently five to one. Put another way, $1 million invested in a PRI is the equivalent of $5 million in grant expenditures.[209]

A significant accomplishment of the PRI is that "it has served as a model to other foundations and non-profit organizations."

Ford Foundation concludes that the program "has helped improve fiscal and managerial practices in a wide variety of socially motivated enterprises" and has advanced "philanthropic objectives more effectively than would be possible by relying solely on grant-making."[210]

As to the future of PRI, the foundation "has become increasingly selective with regard to proposals that have been financed," increasingly directing its resources

> . . . to intermediary minority financing institutions with the staff and expertise to serve many businesses (e.g., Urban National Corporation). Currently the Foundation is concentrating on investments in larger scale projects characterized both by their financial soundness and their promise for achieving important results.

It conceives its function "as a type of development bank for institutions – nonprofit for the most part – engaged in charitable activities consistent with the Foundation's program interests." It believes it should continue to provide, through grants, the "technical advice of accountants, lawyers, and specialists in business development. Frequently timely professional advice can represent the difference between success and failure of a project."[211]

In contrast, the Vanguard Foundation of San Francisco represents a modest but highly committed effort by a group of 13 persons, all in their 20s, "to support groups which are too controversial or too risky to find funds at most other foundations." In its second year of operation, 1973, it granted "more than $58,000 to 32 projects and received donations of $66,000 from its 13 members and $15,000 from 16 non-members." Most grants are in the range of $1,000 to $2,000. None larger than $5,000 will be considered. The six women and seven men who constitute the membership are described as "encompassing a wide range of viewpoints," but sharing "the belief in self-taxation to support constructive change in our society."[212]

Vanguard Foundation's grant policy is reflected in the following statement:

> In trying to place our limited funds where they will have the greatest possible leverage, we select those groups which are promoting direct change in small but significant ways. Groups which qualify for money from larger foundations and those with annual budgets over $25,000 are not considered. Vanguard supports movements which are striving towards greater equality and self-determination for disenfranchised people. This year, consumer groups have joined women's rights, prison reform, and alternative media as our major areas of concentration. We have also supported Third World and environmental groups.[213]

We end this presentation of documentary material relating to "financing high-risk projects or groups with no established track record" by summarizing an apparent success story in neighborhood housing services in Pittsburgh.

The program and its successful results are described as follows:

> Neighborhood Housing Services is a finely tuned, small-scale program that – with the support of the Sarah Scaife Foundation, 23 local financial institutions and the citizens of the central Northside – has been the catalyst for the turnabout of a community that, left alone, ultimately could have been destined for the bulldozer. With a foundation-funded war chest of more than $600,000, NHS has funded 300 high-risk loans, linked hundreds more people with banks and has witnessed, if not inspired, major rehabilitation efforts, new home construction and a significant historical preservation program. It has been copied successfully by four other cities, with more such programs on the way. And, at the end of April [1974], the U.S. Department of Housing and Urban Development (HUD) announced it would spend $2.7 million to help fund Neighborhood Housing Service programs in 20 target cities.[214]

This cooperative effort was the result of an informal luncheon discussion between local bankers on the possibility of inaugurating a revolving, home repair loan fund to rehabilitate housing in a low-income neighborhood. A group of neighborhood businessmen at an adjoining table overheard and joined the discussion, and this led to further action that brought the program into being.

> As conceived and carried out, NHS was to be the middleman between citizens in need of home repair loans and the banks; the Scaife Foundation's money was to be used only for those people who could not otherwise repair their homes.[215]

The financial institutions, before the first year was over, signed a three-year agreement to continue. Although the banks did not make below-interest loans, they did agree to write mortgage and home improvement loans. The National Housing Services director says, "Now the banks will not only make loans with bankable people, but also with marginal people." Initially, in referring prospective borrowers, NHS made sure "that no one bank had more than its fair share of 'marginal' borrowers."

> In almost six years, there has been only one mortgage default and no other losses among hundreds of loans, ensuring a happy marriage between the banks and community.[216]

Administrative costs of NHS are underwritten by the 23 financial institutions "under a formula of $25 per million dollars of deposits."

The Scaife Foundation provided $125,000 the first year for a high-risk, revolving loan fund. Subsequently it has provided $475,000 additional funds and will make a $100,000 close-out grant next year. Usually the foundation money goes directly to an unbankable borrower.

> "I think the money is doing a good job," observes Harold Lauerman, administrative officer of the foundation. "We have been interested in urban affairs for quite some time – long before it became a fad," he said. The Scaife Foundation chose NHS because "it had multiplier possibilities." Admittedly, Lauerman said, the foundation – at the onset of the program – was taking a risk. "The job of foundations is to get in some risk capital, to take the job no one else would take. And, as it turned out, this wasn't really risk capital at all."[217]

The appearance of the neighborhood has improved due both to individual efforts and to the renovation of several blocks of 19th century townhouses by the Pittsburgh History and Landmarks Foundation. Street lighting has also been increased.

A final measure of success is the promotion of a similar program in other cities by the Federal Home Loan Bank Board, which considers three elements necessary for an effective program:

> First is a commitment from the local banking industry to make loans and to underwrite administrative costs. Second is a high-risk loan from philanthropic sources for borrowers who do not meet normal underwriting criteria. And finally, there must be cooperation from the city government to make the necessary public improvements, along with a concerned group of local citizens willing to devote their efforts to their own community.[218]

Allocating Resources to Programs for Poor or Disadvantaged Individuals and Groups, Ethnic Minorities – Cultural Hospitality in Grant-Making

American participants in the Anglo-American Conference on Philanthropy in 1972 concluded:

> The mood of the American Society . . . is to broaden the participation of the young, the blacks, and other minority groups in decision-making. The question to be answered is whether givers – individuals, the corporations and particularly the foundations – will use their resources to find ways of encouraging this involvement.[219]

A consultant to foundations mentioned earlier, Msgr. Geno Baroni, in testifying before the Senate Subcommittee on Foundations on May 13, 1974, took a similar position:

> In my experience with foundations which has been almost "full-time" since 1968, I have found that most foundation officials still believe that America is a melting pot and they reject your notion that we should encourage the participation of diverse groups of citizens in the process of defining and meeting the needs of people.
>
> . . . most foundations ignore or ridicule many lower middle class ethnic groups – particularly those middle Americans who live in our urban areas – and by this practice thus exacerbate racial, ethnic and class polarization.
>
> Before 1968 I was considered "liberal" if I advocated more assistance for housing, health care, and education for minority groups. Since 1968 some of the very same foundations would call me "divisive" because I have tried to sensitize public and private institutions to the legitimate need of heavily ethnic working class communities.[220]

Although the focus of our study is the response of foundations to "problems and concerns of Asian Americans, Blacks, Chicanos, and native Americans," we believe the view expressed by Msgr. Baroni needs to be considered as reflecting the needs and sensitivities of other ethnic populations.

Much more attention has been given in documentary materials to the response of foundations to black populations than to any other ethnic group. Lacking comparable empirical data on foundation grants to Asian Americans and to Spanish-heritage populations, we will describe some of the policies and programs by selected foundations on behalf of black populations. Some of the material, of course, deals with more than one ethnic group.

Nielsen, in assessing the involvement of 33 large foundations in programs for blacks during the 1960s, concludes:

> A good proportion – nearly half – have still displayed little or no concern. Most of the others, beginning five to ten years after the *Brown* decision and after violence and disorder had increased, have taken an interest in the problem; but only a handful can be said to be actively attempting to deal with its most urgent and critical aspects.[221]

He classifies the foundations according to the nature and extent of their participation. As of 1970, he considers only four to have had a high degree of interest in and an activist approach to the problems of blacks, those being "Mott, Rockefeller Brothers Fund, Carnegie, and above all Ford . . . ."[222] In summary:

> . . . it deserves to be noted that the big foundations that have never concerned themselves with the black problem, when measured by almost every criterion, tend also to be the least competent, energetic, and distinguished of their class. Of the majority that have shown some degree of interest, the common focus has been education, especially higher education. The most typical grant has been for buildings and general support to black schools and colleges, followed by scholarships and fellowships for black students. This pattern reflects the fact that philanthropic interest in the black derives from the long tradition of humanitarian concern for his "plight" rather than from an ideological commitment to the principle of racial equality. It also reflects practical considerations: education is a familiar field of action for most foundations, one in which they have demonstrated a degree of institutional competence . . . Even more important, education fits the conventional wisdom of philanthropy, which holds that nothing is more productive in the service of human welfare than . . . education and training . . . Reminiscent of the ideas of Booker T. Washington, it is commonly believed that the most fruitful way to solve the problems of the blacks is to open educational opportunities to them . . . once

> educational opportunities have been opened, the primary responsibility for his advancement rests upon the blackman . . .[223]
>
> Nielsen observes that the assumptions of this approach have been questioned.
>
> Many blacks as well as whites assert that education and individual effort alone are not enough, that the black will never be able to make significant progress until fundamental structural impediments in the system itself have been removed . . .

Nielsen continues:

> Over the last twenty years, . . . as the crisis has worsened, and as the goals and tactics of blacks themselves have evolved, most of the major foundations have attempted in one way or another to respond . . . One path of evolution has been from exclusive concentration on education to interest in other fields, including the economic and social. A second path of evolution has been away from an emphasis on rural areas and the South to concentration on the interrelated racial, economic, and social problems of the urban ghettos throughout the country. A third and less common line of development has been away from relatively uncontroversial grants for general education, research, and welfare programs to more activist projects, such as black voter education and registration or legal challenges to discrimination in housing and employment.[224]

Nielsen concludes:

> . . . even the most concerned and adaptable of the big foundations have lagged behind the pace of events in the racial crisis by five to ten years. Black leadership itself and government action have been well in advance of the big foundations, as have been a number of the smaller foundations, such as New World, Taconic, Field, and the Stern Family Fund.[225]

A partial explanation, in Nielsen's judgment, is the "institutional racism" practiced by foundations in the selection of trustees and senior staff positions. He is pessimistic as to the likelihood of any substantial change. Although "currently a larger percentage of them are modifying their programs, . . . they are anxious about approaching a problem so great and turbulent and are unclear about their role."[226]

In making this forecast Nielsen could not have foreseen the drastic reduction in the holdings of large foundations which resulted from the economic recession of 1974, an event that required a serious reassessment of income possibilities and program priorities. Ford Foundation trustees, for example, decided in December 1974 to reduce annual grants by as much as 50 percent. The decision reflected the trustees' desire to set a level of grant support that could be sustained "indefinitely," without using a portion of capital as had been the foundation's practice.[227]

Consequently, the largest foundation and the most responsive to ethnic minority interests may have to restrict its expenditures for the following projects: fellowships to increase the number of minority teachers and administrators in colleges and universities, for teacher and administrative training for bilingual Mexican Americans toward ending the critical shortage in the Southwest, for special projects at Chicano and Indian institutions, for efforts to attack discrimination in schools, and for grants for basic research in the social sciences.[228]

Ford's National Affairs Division plans to spend over 90 percent of its $33 million budget in the 1975 fiscal year in two major areas, both of interest to poor populations and/or ethnic minorities: They are, "Advancing opportunities for low-income groups, particularly minorities," and "Improving the performance of government," particularly its "effectiveness and responsiveness . . . on the state and local levels."[229]

Among the strategies Ford considers worthy of attention in carrying out its "commitment to social and economic advancement for minorities and other victims of indiscrimination" are

1. Community development corporations (CDCs) "in depressed urban and rural areas." These are local non-profit organizations which undertake broad social and economic programs to improve the quality of life and strengthen the economic base. The Foundation is assisting 10 CDCs which "operate in various styles and settings (rural and urban). Seven serve primarily black communities and three are organized by and for Chicanos."

The foundation "hopes to develop organizational models that can be widely replicated." CDCs will remain the "chief means of fostering minority institutions and leadership over the next two years."

2. Help with "training programs for housing managers that emphasize improved maintenance methods," and in a few inner-city communities, provide limited funds for "high-risk loans for the rehabilitation of older homes."

3. Continued support of "programs aimed at broadening minority participation in government and the political process." Organizations "that protect the legal rights and interests of blacks, Mexican Americans, American Indians, and Puerto Ricans" will continue to receive support, but "will be urged to seek a broader base of financial support."[230]

Projects focused on improving the criminal justice system will continue to get Ford's help. The foundation is continuing its "five-year commitment" (made in 1971) to assist public interest law firms.

A Venture to Increase the Number of Black Lawyers Practicing in the South

An innovative "broad systems approach to the legal needs of the black communities in cities and counties across eleven [Southern] states" is described and evaluated in a report covering the first five years (1969-1973) of a program supported by grants from private foundations, corporations, and individuals to increase the number of black lawyers in the South.[231] The project merits attention as an example of a successful cooperative effort by a foundation to bring an essential service to a disadvantaged ethnic minority. It is also one of the few projects to be competently evaluated by a team financed by one of the cooperating foundations, Carnegie Corporation of New York.

One consequence of the evaluation is that two of the original funding foundations, Carnegie and Rockefeller, made additional grants in April 1974 which totaled $1.3 million. These grants were given to continue the Earl Warren Legal Training Program, an affiliate of the NAACP Legal Defense and Educational Fund.[232]

Essentially, the Legal Defense and Educational Fund provides scholarships to black law students to enable them to get their law degrees, and gives

> . . . post-graduate fellowships to a limited number of graduating black lawyers so they can work for a year in law firms or a civil rights legal organization. In the succeeding three years, the funds provide fees for the civil rights legal work of the young lawyers in a new practice of their own or with a larger law firm in the South specializing in civil rights.

The program is available to students of four predominantly black law schools in the South, and 17 predominantly white southern law schools. During the five-year period, 21 foundations gave about $2.9 million for this Southern program.[233]

The companion program, administered by the Law Students Civil Rights Research Council, recruits law students, provides tutorial service, and offers an internship program, placing law students "with practitioners in summer jobs." About $650,000 was spent for this program in the South during the five years. Financing came from 38 foundations and over 15,000 individuals.

The accomplishments of the program during the five years, as summarized in the Carnegie evaluation:

> Larger number of black students are staying in the South to go to law school and intend to stay there to practice. . .
>
> Since almost every one of these [17 southern] law schools is now recruiting black students, applications from blacks have risen steadily. . . Law school applications from black undergraduates have increased in these schools from 396 in 1970 to 768 in 1972.
>
> . . . the first black law professors [were appointed] at six state university law schools – Virginia, South Carolina, North Carolina, Florida State, Louisiana State, and Alabama.
>
> The number of black students graduating from these 17 law schools has increased dramatically in the last few years. . . in June of 1973, the Warren program could count . . . a total of 229 graduates, most of them in the last two years.
>
> The summer internship program, which LSCRRC administered, placed in the South more than 481 students of both races (approximately 50 percent of them black) into summer working experiences in civil rights law firms or organizations, and government legal programs.
>
> Larger number of young black lawyers are establishing law practices across the South. The size of the black bar in Mississippi now exceeds 49 lawyers, more than quadruple the 1969 figure (there were three in 1965), and the numbers are "up sharply" in many other southern states.
>
> Young black lawyers inevitably are being drawn into a larger leadership role in their communities. Especially impressive is the performance of the post-graduate Warren fellows.[234]

Major grants to the program were made by these foundations: Field, Carnegie, Ford, Rockefeller Brothers Fund, Alfred P. Sloan, and Fleischmann. "Scores of individuals and corporations" also made contributions.

Eli Evans, program officer, Carnegie Corporation, cites the significance of this program:

> It has been said that the civil rights movement of the sixties has moved in the seventies out of the streets into the ballot boxes. Southern blacks are beginning to learn that the political system can be a major vehicle for peaceful social change in a democratic society.
>
> The question for the future lies deep in the quality of integrated public education in the next decade, of higher education's adjustments to rising aspirations, of a continuing flow of black lawyers into southern society who will be a natural part of the terrain, free to defend the rights of all races seeking higher income, better housing, and equal education, opening the region to equal justice under the law for all the southerners living there.[235]

The support of this type of venture by the Carnegie Corporation is consistent with the views expressed by Alan Pifer, its president, in his report for 1973:

> Since the early 1960s the commitment to a more equitable society has become steadily broader and stronger, and, during the past two or three years, has been augmented by a new interest in equal opportunity, especially educational opportunity, for women.
>
> The commitment to social justice, widely shared today by both trustees and staff, is a fundamental theme now running through all of the Corporation's programs and, indeed, through nearly every aspect of its work . . . I am glad to say that the Corporation did not permit itself to be intimidated by the negative atmosphere surrounding the Tax Reform Act hearings in 1969 . . .[236]

Foundation Help for the Medical Education of Ethnic Minorities

The shortage of minority-group physicians and the resulting inadequate health risks have been tackled by a foundation-supported program, National Medical Fellowships, Inc. NMF, organized in 1946 to increase the number of black medical students by providing financial aid, was expanded in 1970 to assist "Mexican-Americans, mainland Puerto Ricans, and American Indians – underrepresented in the medical profession becuase of cultural, social, economic and educational discrimination."[237] It is the only national money-raising vehicle for these two ethnic groups. NMF will be interesting to watch because it uses a coalition of ethnic groups to solve a problem rather than the more common competitive approaches.

According to NMF's informational brochure, while "the ratio of all doctors to all Americans is 1 to 750, of Black Americans it is less than 1 to 3,500. The proportion of physicians among Mexican-Americans, American Indians and Puerto Ricans is even smaller." One result: in areas "where health care is needed most, health services are often inferior and almost always impersonal."[238]

NMF gives money to first- and second-year minority medical students within the limitations of available funds. Figures from 1968-1974 are as follows:[239]

Academic Year	Black Americans	Mexican Americans	American Indians	Mainland Puerto Ricans	Total First-Year Students
1968-69	266	20	3	3	9,863
1969-70	440	44	7	10	10,422
1970-71	697	73	11	27	11,348
1971-72	882	118	23	40	12,361
1972-73	957	137	34	44	13,677
1973-74	1,019	174	44	55	14,044

Grant-Making to Native Americans

Richard Margolis, a consultant to a number of American Indian tribes, notes a communication problem between applicant agencies and foundations, based in part on different cultural values:

> Indian leaders frequently complain that foundations make no effort to understand Indian manners and mores, that in making their grants the foundations entangle Indians in "a lot of white tape." Foundation officials, meanwhile, have been heard to criticize Indian "fragmentation": i.e., too many groups working at cross-purposes.
>
> "Get yourselves together into a single, united organization," a foundation official recently advised a disparate group of Indian representatives in Chicago, "then we'll talk."

> "OK," said one of the Indian leaders. "And while we're doing that, why don't you and all the other foundations merge, so we don't have to make 50 applications to get one grant?"[240]

Tracing the historical antecedents of relations between the white man and native Americans (the familiar litany of federal treaties made and broken, conflict, the imposition of white cultural values "sometimes well-intentioned but nearly always disastrous"), Margolis briefly states the consequences:

> Indians now find themselves at the bottom of the socio-economic heap: four-fifths of their housing is substandard, half of their men are unemployed and nearly two-thirds of all Indian adults are functionally illiterate.
>
> The facts about Indian (non) health, both mental and physical, are just as dismaying. Alcoholism is widespread; the infant mortality rate is half again the national average; life expectancy among Indians is only 47 years, compared to 71 years among the general population. Even the Indian suicide rate – that ultimate index of despair – is twice the national average.[241]

Philanthropic intervention, "in the late 19th century after most of the killing had ended," was "an attempt to stamp white labels on red souls." Examples:

1. Churches came to the reservations to replace "red animism and pantheism with Western theology."
2. Humanitarians "from New York and Boston who had never seen an Indian, nevertheless kept pressing the federal government to break up tribal land holdings and convert Indian hunters and gatherers into 'free and independent farmers'."
3. The U.S. Bureau of Indian Affairs "established a network of boarding schools where Indian children would be safe from 'the savage influence' of their clans and tribes."[242]

Currently there are about one million native Americans in the United States and, despite past events, "many tribes, miraculously, remained intact." Tribalism "is enjoying a comeback. Indian elders are teaching 'the old ways' to their young, and many of the young are displaying an unprecedented militancy."[243]

Margolis states that many foundations are beginning to respond positively to these cultural trends. He quotes Siobahn Nicolau of The Ford Foundation to the effect that Ford has shifted from "the Thanksgiving-basket approach" to an interest in "building institutions which Indians can control and use for their own benefit."[244]

Other foundations giving attention to native Americans in a way that respects their cultural values and wishes include the Akbar Fund of Chicago, which "has made Indians its top priority."[245]

The Donner Foundation recently made a grant to the California Urban Indian Health Council to help an estimated 150,000 urban Indians obtain good health care in a program they control.[246]

"Community control" of projects is also an accepted principle of the Elliott Foundation, whose field representative also serves the Akbar Fund.

A different and more traditional approach to Indian programs is that of the Hill Foundation. Its grants for Indian welfare and education "are channeled through white institutions," such as the National Endowment for the Humanities "which is developing an Indian curriculum program – 'a search for pride and identity'." As Margolis states:

> The Hill program has significant policy implications: it siphons off talented young people from the reservations and prepares them for life in the

> mainstream – i.e., white – population. "Indians can't be supported on reservations," Bonine (of the Hill Foundation) says, "the land won't support them. So why strengthen reservation tribal life? It would be like feeding hay to deer in winter – it just leads to more starvation."[247]

Ford Foundation, representing a third view of Indian needs,

> . . . eschews localism in favor of national, inter-tribal institutions like the Native American Rights Fund. Its dream, one gathers, is pan-Indian unity and its nightmare is a Balkanized crusade stymied by dozens of bickering Indian splinter groups. But the nightmare at times seems uncomfortably close to reality.[248]

Margolis summarizes the foundations' responses to native Americans in this way:

> It seems clear from all this that no single foundation possesses the key to Indian aspirations, a mystery that has baffled white men for at least five centuries. It also seems clear that as Indians continue to make gains both in education and in race pride, they will increasingly propose solutions of their own, solutions which may not have occurred to well-meaning but white-thinking foundations.
>
> Fortunately, if recent history is any guide, a number of foundations now seem prepared to listen.[249]

Perspectives of Ethnic Minority Spokesmen

Vernon Jordan, Jr., emphasizes the importance of making grants to black-controlled agencies which understand and are responsive to the concerns of the black community. The data he presents indicate that a disproportionately small amount of money is going to such agencies.[250]

An effective statement of the goals of the Association of Black Foundation Exeutives, made by James A. Joseph of the Cummins Engine Co., includes their overriding objective:

> We seek neither separatism nor integration. Most of us opt for a radical pluralism in which sameness and difference are held together in a creative tension. Yet our unity does not mean uniformity. While many work to make the world safe for democracy, we are interested in making it safe for diversity.
>
> Being pro-black does not mean that we are anti-white. We simply reject the old liberal approach of color blindness and emphasize a color consciousness which deals directly with the meaning of our heritage. For out of the black experience comes an ethic of giving which can serve not only the good of the black community but the best interest of society. If allowed to penetrate the mainstream of philanthropy, that ethic will replace paternalism with a more humane philanthropic style based on the interest of the recipient rather than the conscience of the giver.[251]

As opposed to this "paternalism," the Black Foundation Executives recommend "empowerment of the powerless," enabling people to maintain their dignity.[252]

The Twenty-First Century Foundation, described earlier, gives its highest priority to "facilitating the development of the black community," a function that is consistent with Joseph's idea of "developing indigeneous power systems."[253]

Nancy Homan, assistant professor of English at Virginia State College, presented a paper at the Danforth Foundation Workshop on Liberal Arts Education in the summer of 1970 on foundation support of black colleges. Although her data are now out-of-date, the point she makes about the importance of foundation grants is not. She states that "grants made by private foundations . . . are slightly more progressive and forward-looking than [those of] the United States government, and vastly more so than racist southern governors and legislators."[254]

Homan observes, however, that "even the well-intentioned foundation-supported programs" reveal "a kind of sinister effect, though probably not intent." Homan makes two suggestions as to how foundations can assist black colleges:

1. Consider appropriating money "for parallel recruiting campaigns for white students on the black campus."

2. "Why not develop a series of regional black studies centers in the most natural existing locations – black colleges and universities? Why . . . try to import 'foreign' matter to make the white university the authoritative center?"[255]

An encouraging recent action of The Ford Foundation suggests that one foundation has made at least a partial response to Homan's second suggestion. It was announced in February, 1975, that Ford Foundation made a $400,000 grant to Howard University's Institute for the Study of Educational Policy.[256] An official of the Institute stated that the grant will "enable Howard to become the first predominantly black university with a research center of such significant size and scope."[257]

A poignantly different response by one ethnic minority, Japanese Americans, to past deprivations and the contingency of future catastrophe is illustrated by the provision they have made, through the Japanese American Citizens League, of a fund to help them survive in a future emergency. This example indicates the gap between Japanese American concerns and the stereotyped perceptions held by many that Japanese Americans have no unique problems requiring community attention, and that they have successfully accommodated to the larger society.

The Japanese American Citizens League, a national human rights and civil liberties organization, created a National Endowment Fund in 1936 to use for needed services for Japanese Americans. A modest amount of money was raised. A much more ambitious campaign was undertaken in 1952 to raise a substantial amount of money for the purpose of insuring that, in any future emergency, funds would be available for use in protecting the rights of those of Japanese ancestry. The impetus for this campaign was the wrenching experience of Japanese Americans who were evacuated and put in relocation camps by the United States government during World War II, coupled with the availability of money among Japanese Americans who had made successful claims to the government for compensation under the Evacuation Claims Law which was enacted by Congress in 1948. The campaign was directed primarily to persons who had received compensation and who felt an obligation to share some of this money with those who might need help in the future. The principal, which under current depressed conditions is valued at about $400,000, is invested in high-yield securities, with the interest being available for current programs. For this group, survival needs took precedence over efforts to bring about systemic change.[258]

In another case, less than six years ago, a direct attempt by a Mexican American leader to arrange a meeting with representatives of "36 of the nation's most prestigious foundations" to discuss how the foundations could help the nation's second largest ethnic minority, resulted in a generally negative response by the foundations. The attempt, and its aftermath, was reported as "Foundations Snub Mexican Americans" by the *San Jose Mercury*.[259]

Vincente T. Ximenes, the leader who initiated the action, was both the chairman of the federal government's Inter-Agency Committee on Mexican American Affairs and a commissioner of the Federal Equal Employment Opportunity Commission. The refusal of all but two of the 36 invited foundations to attend such a meeting was disillusioning to Ximenes and other Mexican American leaders.

The two foundations responding positively were the Josiah Macy, Jr., Foundation of New York, which said it was interested in helping prepare minority group students for careers in medicine, and the Sam Wyly Foundation of Dallas, Texas. None of the three largest foundations accepted the invitation. A Ford Foundation spokesperson said she would be happy to meet at a later date "to explore our mutual program priorities." A Rockefeller Foundation spokesperson said he would "be glad to receive any report which may be developed from this meeting." A secretary responded for the Carnegie Foundation, stating that her boss had previous commitments.[260]

VI

ADMINISTRATIVE AND STRUCTURAL POLICIES RELATING TO MINORITIES

Internal administrative and structural policies of foundations are difficult to subject to methodical analysis. Variations in basic organizational attributes (such as the breadth of power and role of the board of trustees, the nature and extent of professional staffing, and the size and origin of endowment) provide a diverse context. We shall briefly describe the aggregate structural patterns of foundation administration, the representative character of decision makers in foundations, and the nature of selection processes for trustees and professional staff. We shall also discuss the policies of particular foundations regarding internal personnel procedures, dissemination of information about a foundation's program to potential applicants, and the provision of technical assistance to potential or actual grant applicants.

Trustees

Trustees are a critical component of foundation administration in their capacity as final legal authority for the organization and in the active policy-making role they often play.[261] (F. Emerson Andrews notes that members of a governing board of a foundation may also be called directors, members of the corporation, or managers.) Governing boards exist in a variety of socio-structural arrangements. Membership size varies from five to eight, with one foundation having forty; the average is about six.[262]

The range of duties undertaken by trustees varies widely, especially by type of foundation. In a donor-controlled foundation, trustees are particularly responsive to the donor and frequently limit themselves to "advising and assenting."[263] The Peterson Commission in its survey of 687 foundations in 1969 concluded – from a response rate of 29.2 percent – that a donor or some other single individual was generally the dominant figure in nearly two fifths of foundations, with other board members non-active.[264] The Commission found that "9 percent of boards never met, 15 percent met for one hour or less a year, and 33 percent met once a year or less."[265] But on the whole, such low visibility of governing boards is confined to smaller foundations. Certain larger foundations were found to have comprehensive quarterly or monthly meetings with extensive review of programs and policies.[266]

The role of the board in foundations controlling 54 percent of all grants in 1968 was found to range from approval or rejection of all grant applications to review of recommendations on most applications within the foundations' program area.[267] The older and larger foundations vest broad supervisory and policy-making powers in their trustees, limited by the trustees' desire or ability to discharge them.[268] Zurcher and Dustan analyzed the philanthropic role of trustees among 662 foundations surveyed in 1970: in 438 foundations, trustees determined foundation policy; in 407, the board ratified or denied projects; projects were discussed in detail by

280 B

the board in 398; and the board originated projects in 226.[269]

As indicated above, though there are significant variations among foundations, most boards of trustees have extensive discretionary power to spend money for various broad ranged goals.[270]

A methodical study of board composition undertaken by Andrews two decades ago depicted a socioeconomic profile which apparently persists today. In 20 foundations, large and small, the study revealed a high concentration of businessmen (especially bankers), of Protestants, of Ivy League school graduates, and of men. Of the small percentage of women, over half were wives or daughters of donors. The occupational group included one farmer, no wage laborer or union official, and no clerical workers. Nearly half of the trustees were over 60 years of age.[271]

The Peterson Commission more recently examined the boards of 25 of the largest foundations and found that "an overwhelming majority of the trustees of the large foundations are white, Anglo-Saxon, and Protestant."[272] Half of the trustees had attended Ivy League colleges; two-thirds had business, banking, or legal backgrounds; none was from organized labor; and few were Catholics, Jews, Negroes, women, or young people. Geographically the boards usually represented the East, with a heavy concentration in the New England and Middle Atlantic regions.[273] Other data reveal that governing boards have few intellectuals, artists, writers, or social reformers as members. Moreover, "since only 'successful' people become trustees, there are no representatives of the poor or the disposessed."[274]

Nielsen compares the homogeneity of foundation boards with those of profit-making corporations:

> As of 1970, only the boards of major American profit-making corporations are more consistently and uniformly white upper-income Anglo-Saxon-Protestant than the boards of the big foundations. Of the 3,182 senior officers and directors of the nation's top fifty corporations, according to a study in 1970, only three were black.[275]

The rarefied level from which trustees are drawn is further reflected by the practice of multiple trusteeships, leading to "foundation interlock." In New York in the mid-1960s, 359 trustees of a total 3,000 were serving on two or more boards.[276]

A recent survey by the Association of Black Foundation Executives attempted to focus on the minority group composition of boards. The results suffer from a very low response rate (less than 7 percent), but are nevertheless another indication of the general picture – and very probably biased in the direction of a higher response rate among foundations with minority members on their board. Of a total of 1,011 trustees among the 139 foundation respondents, only 46 (or 1 in 22) were minorities. Of the 9 responding foundations with assets over $100 million, only 6 of 113 trustees (or 1 in 18) belonged to minority groups. Seventeen foundations accounted for 20 of the minority members and 31 had boards with no minority members.[277] An implication drawn by the Peterson Commission is that "these boards clearly lack the kind of diversity that could further enlarge their perceptions about the raw surge of American life."[278]

The socially encapsulated character of foundation boards originates in the self-perpetuating selection process of "cooption." That is, in nearly all foundations, current trustees choose their own successors. Election of new members is collective, but informal traditions frequently permit a trustee's selection of his own replacement.[279] Hence, "current trustees are more likely to be representative of peers and predecessors than of relevant staffs, clients and constituencies. . . ."[280] Operating along with cooption is the practice of "collegiality," which rationalizes the present one-dimensional, clublike nature of foundation boards. An author published by the Russell Sage Foundation approvingly discusses collegiality, "more simply considered to be *congeniality*" (emphasis added), as a qualifying criterion:

> In order to be effective, the board of trustees of a foundation should meet the definition of a collegial group, as an organized body of men [sic] who, as such, have accepted common objectives and duties. Initially most foundations, and particularly the smaller ones, achieve collegiality through the choice by the donor, who usually includes himself, one or more members of his family, his friends, and business associates and perhaps one or more admired outstanding citizens or professional specialists. Cultural and educational background are likely to be of importance in the selection process, as is also ideological compatibility. Collegiality is also enhanced by the selection of individuals who have had better than average success in their careers and consequently are unlikely to attempt to take personal advantage of a trusteeship if only for the reason that they have little or no need for extra material rewards. These are all natural bases for the initial selection of trustees and not a matter for categorical criticism, particularly in view of the fact that a foundation in the beginning is simply a device for the convenient philanthropic expenditure of private funds that could have been spent for anything from charity to profligate living on the basis of personal whim. Similar criteria of collegiality continue to be influential in the selection of trustees after the donor is no longer on the scene, but with the exception that ordinarily there is a rapidly diminishing regard for former business associates and friends of the donor.[281]

According to this viewpoint, to be "effective," a board member should be wealthy, successful, ideologically standardized, and from a similar class and social background (and of the same sex) as that of other board members. Or, one might say, homogeneous and elitist.

Robert W. Hearn, executive director of the Association of Black Foundation Executives, doubts the value of collegiality:

> The "collegial" nature of most foundation boards and the implied compatibility may not necessarily be an asset. In fact, it may, in some instances, be a liability that could detract from the foundation's interest and social objectives in terms of prevailing public attitudes.[282]

Zurcher holds a similar view – that to be more effective a board should recruit trustees from a variety of professions and social strata.[283]

We shall argue that minority interests are likely to be more effectively and less paternalistically served by diversified and representative foundation boards, and that the present self-perpetuating "cloning" process requires modification. "Congeniality" criteria now operating are likely to continue producing carbon copies of male WASP businessmen.

A few foundations have tried to meet the objections to cooption. For example, requirements have been made that trustees be incumbent in specified community positions or that vacancies be filled by the appointment of such incumbents.[284] Allocation of funds is handled by distribution committees composed in large part of representatives of local interest, often selected by incumbents of designated community positions.

The possibilities for changes in governing board selection merit discussion, but very few policy changes designed to make boards more representative can be cited among private foundations. There has been some concrete reform in terms of retirement age; several major foundations have now set a mandatory retirement age of 70 for trustees.[285] As noted by one critic, however, a fixed retirement age, in the absence of other reforms, does

> . . . little more than increase the mobility of the foundation trustee elite, without altering its narrow social, economic, educational and religious basis. There is no compelling reason to believe that a 30-year-old white Protestant banker,

lawyer, or businessman has a more empathetic understanding of . . . American life than his 60-year-old colleague.[286]

As previously noted, the very existence of tax-exempt foundations is supposedly justified by their potential for creative and responsive philanthropy. If such philanthropy is to reach the diversified groups of disadvantaged and ethnic minorities in productive ways, then the representation of broader interests in decision-making positions is presumably required. Without such representation, paternalistic practices prevail. (See data in Chapter II.) Corrective action, declared the Peterson Commission, requires "democratization."[287]

The inclusion of minorities on boards increases the knowledge base and life perspective from which trustees make their decisions. Of course, avenues exist whereby concerned board members might sensitize themselves to minority viewpoints in the absence of board diversity. Many foundations have used minority consultants to good advantage. Trustees of foundations with adequate staffing have an additional source of information. Such efforts, however do not represent a substitute for actual representation. Indeed, over and above the indispensable functional role minority trustees can play (not inevitably *will* play) is another equally important issue – that of social justice. Foundations should be forerunners and not laggards in acknowledging and furthering the dignity and equality of all peoples and races in American life.

Staffing

Policy-making responsibilities ultimately belong with the trustees but in practice are frequently shared with staff. Small staffs of many foundations are dominated by donors or donor families and trustees. In the Carnegie Corporation, the president and staff have broad program initiative with few objections from the board, while in others, specific policy areas are delegated to the staff and others acted upon by the trustees. Foundations with fully developed administrative positions are heavily influenced by the quality and decisions of their staffs.[288]

Recent studies of staffing have found that most foundations employ few people; such staffing as exists is concentrated in the well-endowed, general purpose foundations. The Peterson Commission determined that only one fifth of the foundations surveyed had any paid staff, including secretaries, while only 5 percent had any full-time paid staff. Virtually all organizations with assets over $100 million had staff, as compared with only one sixth with assets of less than $1 million.[289] Zurcher and Dustan's 1970 study described a similar situation. Utilizing a sample of 662 foundations specified to include all those most likely to have full-time or part-time nonclerical staff, they identified 1,062 full-time "administrators" – or persons concerned with foundation management – "all those who derive their livelihood and occupational satisfactions from serving a foundation in a post above the clerical level."[290] Of the total, 25 percent were employed by The Ford Foundation and 15 percent by the Rockefeller Foundation. Eleven other major foundations (Commonwealth, Danforth, Duke, Houston, Kellogg, Kettering, R.K. Mellon, Mott, Rockefeller Brothers, Sloan, and the Carnegie Corporation) contributed 12 percent to the total.[291]

A report to the Filer Commission of a survey conducted by the Council on Foundations, based on a questionnaire responded to by 572 foundations, has detected an upward trend of a 25 percent increase in executive staff and a similar increase in "other staff" for the period 1968 to 1973. The Tax Reform Act was cited as a major change catalyst, especially regarding nonexecutive staff.[292] The Council noted that 34 percent of its respondents had no executive staff and 56 percent had no "other staff." The Ford and Rockefeller Foundations were found to employ nearly one quarter of all staff reported.

The Zurcher-Dustan study explained the minimal level of professional staffing by

> . . . the absence, among the great majority of foundations, of a philanthropic program that requires specialized knowledge of philanthropy and the capacity to identify high priority social and cultural objectives — needs that a trained, paid staff person would presumably satisfy.

According to the study's findings, 68 percent of the foundations examined indicated that their operations were purely "supportive," i.e., they channeled their resources to established charities; a more flexible classification of "supportive" foundations raised the percentage to 90.[293]

If the existence of a staff increases the likelihood of innovative and independent as opposed to "supportive" programs, then minority concerns are probably better served by staffed foundations. Thus, attention might be devoted to increasing staff levels and decreasing the numbers of small conduit-type foundations which cannot afford staffs. However, a simple increase in staffing, we stress, need not necessarily change grant-making outcomes.

As might be expected, the minimal importance attached to the need for staffing was extended to attitudes concerning personnel management. Selection processes for staffing were found to be informal and in large part based on personal connections. The survey revealed that 40 percent of foundation administrators were appointed as a result of a direct recommendation of a staff or board member.[294] Friendship or relationship with a donor was also a popular avenue into foundation administration. Zurcher notes that "whom one knows is obviously important if one wants a foundation job."[295] The tendency, then, is to further the elitist atmosphere manifest on the trustee level. However, reform of staffing selection could be undertaken with minimal structural changes in comparison with the modification of procedures for trustee selection.

As in the case of boards of trustees, large and small foundations which have small staffs are mainly white, male, middle and upper class Protestants of Northern European ethnic origins with private college education. Large foundations with developed staff are more diversified. The small but growing number of minority appointments in such foundations is apparently concentrated at specialist rather than general executive levels.[296] Zurcher and Dustan attributed the lack of race and sex discrimination issues in their returned questionnaire to the general absence of women and minorities from foundation administrative positions. (Though Zurcher and Dustan have written the most complete study of foundation administration currently available, their questionnaire neglected to ask about the ethnic background of administrators. The later inclusion of ethnicity in their discussion might be an afterthought and thus indicative of a prevailing attitude of neglect on the subject.)

> Most foundations with blacks on their staff have added them only recently, despite the organizations' professed, and usually sincere, concern for the welfare of the black minority and the creditable record that some foundations made even prior to World War II in tackling minority problems.[297]

The study found that only one or two major foundations had a woman chief executive.[298] The Council on Foundations has released the results of a survey of their membership regarding women administrators. It is interesting to note that the council undertook the survey in response to Representative Martha W. Griffith's request for data. No similar demand for information on ethnic minorities has become manifest in terms of concrete statistical data. The stymied survey effort of the Association of Black Foundation Executives is indicative of the low priority given these issues.

A complaint by an Indian spokesman in 1973 noted that

> . . . no foundation has as yet taken the trouble to put an Indian on its staff. (A couple of years ago the Ford Foundation was urged by Indian groups to

hire Scott Momaday, the award-winning Indian novelist, as a consultant, but nothing came of it.) The result has been a good deal of floundering by foundations interested in launching Indian programs and a good deal of bitterness among Indian leaders.[299]

A respected Chicano leader noted in a 1974 speech to a segment of the foundation community:

> . . . I know of only one Chicano who is a member of a board of a foundation. . . . nor have I seen any affirmative action programs with regard to Chicanos. . . .[300]

Hearn of the Association of Black Foundation Executives recently stated that

> . . . there's nobody [black] in the top administration of foundations. Jim Josephs was the first and only black executive director of a foundation with asset size over twenty-five million dollars. Harriet Michel is an executive director of the New York Foundation, and Carl McCall was the executive director of the John and Florence Schuman Foundation, but their asset sizes are smaller.[301]

The desirability of diversifying foundation boards and staffs has recently been buttressed by a legal opinion delivered by the U.S. Court of Appeals for the Second Circuit. Though the suit alleging racial discrimination against a foundation was dismissed, the issue of "state action" was found to be applicable. Hence, actions relating to racial discrimination in distribution of grants and appointment of trustees by private charitable foundations could be considered to constitute governmental action by virtue of tax exemption and public functions. Such an opinion, if upheld, would allow damages to be brought against foundations under the Civil Rights Act and various other federal reliefs could be sought.

Stated policies of foundations relating to democratization of boards and staff are scant. The Carnegie Corporation in 1971, in a report approved by the board and summarized in *Foundation News*,

> . . . affirmed [its] general belief in a diversified board of trustees, provided always that the first consideration in selecting new trustees must obviously be their personal quality and potential as trustees; [it] favor[ed] increased diversity geographically, in professional career backgrounds, by sex, in minority group representation and in age.[302]

It is interesting to note that in the summarizing article, the composition of the board was related by geography (only two trustees outside the East) and by sex (only two women trustees), but not by minority group membership. Nevertheless, the policies adopted by the Carnegie Board represent much needed steps in the direction of democratizing narrow-based boards.

The Cummins Engine Foundation of Indiana changed its focus in 1970 to include a major commitment to the black community. Part of the foundation's involvement included the initial hiring of five black program officers to be included on the foundation's staff.[303]

The Council on Foundations adopted an Affirmative Action policy in 1972 and implemented a program to assure "equitable employment of women and persons from minority groups in each job category of the council staff."[304]

The Ford Foundation has actively hired minorities in the past, and recently posted an innovative "External Affirmative Action" policy, emphasizing the hiring practices "with respect to equality of opportunity for women and members of disadvantaged minorities" of *grantee* organizations.[305] The Amos Wilder Foundation has also been cited as clearly committed to affirmative action.[306]

The Russell Sage Foundation tried an experiment in which its own administrative policies were critiqued by socially concerned outside professionals. One area of disagreement between the critics and the foundation related to composition of the board:

> . . . the sentiments of the foundation administration were against providing on the board of trustees for specific, designated representation of the many diverse views in American society of what the foundation might do. Instead, further effort would be made to expose the organization to challenges. Productive tension would be sought, but not paralyzing conflict.[307]

The man who is president of both the Samuel Roberts Noble Foundation and the Conference of Southwest Foundations has straddled the issue:

> Over the past few years we have been repeatedly enjoined by the experts to broaden the representative base of our boards – to add members with differing backgrounds and viewpoints. This is an attractive theory but not always workable in fact. It smacks suspiciously of the quota system. Potential members are best selected on their proven ability to contribute effectively . . . The seeking of quality rather than tokenism should be paramount to every other consideration.[308]

Few other policies as positive as those of Carnegie and Ford or as frank and unsatisfying as that of the Russell Sage Foundation have come to light. The Association of Black Foundation Executives' survey of foundations mentioned previously uncovered only two foundations with clearly enunciated policies: Ford and Amos Wilder.

The consensus, then, in the literature and among minorities is that employment and appointment policies have not yet reached equitable levels of representation in foundations.

Dissemination of Information and Technical Assistance

The companion half of a foundation's administrative and structural relationship to minorities involves its efforts to reach out to minority grantee organizations, both by disseminating information about foundation programs and evaluation criteria to potential applicants and by providing technical assistance to potential or actual grant applicants.

There has been a steady stream of exhortation by foundation representatives on the need for more open and far-reaching communication. The advice has been buttressed by stricter governmental emphasis on reporting. Nevertheless, many foundations still exhibit a strong penchant for privacy – one observer calls it an "enclave mentality."[309]

The low response rate by foundations to survey research studies can be only partly attributed to an absence of staffing. One source has detailed some of the traditional rationales for secrecy: the linkage in the minds of donors between foundation affairs and the prerogatives of "private" property; a conviction among staff and trustees that exposure of their grant decisions could create inconveniences; a belief that publicity would bring an unmanageable flood of applications; and a fear of generating external criticisms and restrictions on programs.[310]

The privacy blanket has been pulled over many avenues of potential information. Though information returns have been required by the federal government since 1942, foundations have been derelict in reporting and have often filed cursory or even inaccurate forms. The more stringent requirements of the 1969 TRA in regard to the IRS 990 Information Return are still limited in impact. Although provision of the law requires foundations to notify the public of the availability of an annual report in a newspaper of general circulation, 981 foundations in 1971 placed the required advertisement in the *New York Law Journal*, which has a circulation of only 8,969.[311]

The publication of an annual report is held to be an indication of a willingness to offer somewhat more than perfunctory information to the public. Before 1969, reports were published by 140 foundations of 6,803 listed in the third edition of the *Foundation Directory*.[312] The Foundation Center is currently receiving 278 such reports.[313] The Council on Foundations' survey revealed that 60 percent of respondents do not publish annual reports, 57 percent do not publicize grants in other ways, and 72 percent do not encourage grant recipients to publicize grants.[314]

The Peterson Commission addressed itself strongly to the issue of foundation secrecy. It quoted Justice Brandeis, who said "Sunlight can be the most powerful disinfectant."[315]

The Foundation Center has often pleaded for more foundation responsiveness as a professional obligation. It has discerned a more affirmative effort since the 1969 TRA, but still is disturbed by the "barest permissible outline" submitted by some groups. One editorial in *Foundation News* declared that "foundations are going to have to learn to 'Communicate Freely, Or Die'." Representative Martha Griffith has commented that the intent of Congress might well have been to put foundations out of business unless they do so.[316] Senator Vance Hartke has publicly demanded more open response from foundations.[317]

Regional associations of foundations are also making efforts to increase disclosure and dispel secrecy. Twenty-three community and private foundations in northern California recently banded together to underwrite publication of a new foundation newsletter, "to reach individuals and organizations concerned with or affected by the policies, procedures and activities of sponsoring foundations."[318] A Minnesota Council on Foundations has been created in part to provide more information to the public on foundation activities.[319]

An example of a foundation attempting to reach a broad constituency is the San Francisco Foundation, which distributes a newsletter commenting on grants, directions, and developments in the foundation field. It also has instituted a series of luncheons to hear from persons who can help the staff "propose policies more responsive to today's ferment of social and political change."[320]

The importance for minority groups of disseminating programmatic and procedural information on foundations can not be overstated. Technical assistance for excluded groups is especially important in light of a pervasive feeling that personal contacts are the most important determinants of grantsmanship success. One survey of grantor criteria for assessing proposals found some truth to such allegations, on the basis of impressionistic evidence:

> One corporation president wrote that acquaintances account for 100 percent of the grant decisions . . . A layman who contacted well over 50 sources in behalf of an especially important and appealing cause, reported that in practically 100 percent of the few grants secured, personal friendship channels were an essential factor.[321]

Technical assistance efforts would not only increase the likelihood of a successful application from a minority agency, but would help to mitigate the advantages unfairly enjoyed by those with personal friendships in the grant-making circuit.

Certain foundations and agencies have attempted to bring basic information about specified foundation programs into the public domain, in part to enable groups with demonstrated needs to enter the foundation grant-making arena in a more equal position. A relatively small number of foundations (numbering about 350 nationally) publish annual reports which list grants, policies, and application procedures.[322] The San Francisco Foundation is a good example and one of but 15 in the Bay Area which release information in that format.

A productive experiment conducted by the Columbus Foundation of Ohio used television to make the public aware of the foundation's existence and program. Public service time, talk show interviews, and donation of TV time (as well as the printed media) were used imaginatively and liberally for area-wide exposure. As a result, grant requests to the foundation almost doubled. Of course, the foundation also increased its exposure to potential donors – and as a community foundation, it must meet a public support test to escape private foundation fee requirements.[323]

The Association of Black Foundation Executives cites the dissemination of information on funding of Black programs as one of its basic objectives. In San Francisco, Pacific Change serves as an information clearing house and resource center for disadvantaged community groups needing money. A basic concern at Pacific Change is to fill the information gap, as through its informative and valuable book, *The Bread Game*, mentioned previously.[324]

The Ford Foundation periodically puts out pamphlets highlighting its requirements for grant applications. The San Francisco Foundation "is at all times ready to advise potential applicants on eligibility requirements, and to provide help and information on how best to submit a grant application proposal."[325] The Foundation Center has also distributed informational pamphlets.

In general, however, basic informative guidelines are not available for public consumption. More common is a neglect of potential audiences, as revealed in an unusual internally instigated "radical" critique of the Russell Sage Foundation which found that the foundation "had remained totally isolated from insurgent and oppressed groups and has thus decreased the amount of knowledge available to the members of society who need it in order to solve their problems."[326]

In a similar vein, few examples were found of technical assistance and outreach to inexperienced groups. Indeed, two attempts to establish a universal set of evaluation criteria for grant applicants stressed the importance of a "track record" – demonstrated competence in the past. One noted that "presumably the strongest institutions and people will do the best work. If that is true, foundations should seek out the strong and avoid the weak."[327] The other stated that a project should be "under the management of people who have demonstrated their competence, both [in] general and in the specific field, their responsibility and personal commitment to the enterprise and their readiness to cooperate with others."[328]

The dominance of "brokerage" groups as shown in the data of Chapter II tends to confirm this disposition. On the other hand, members of minority groups urge that more consideration be given to organizations which are untried, and which are unfamiliar with the necessary procedural elements of grant application.[329] Hearn of ABFE has emphasized the

> need for technical assistance by groups unfamiliar with foundation grant-making procedures to enable them to adequately present their ideas and proposals. The danger in foundations providing technical assistance though, is what may be called the "implied promise," where the groups you are assisting develop expectations that in fact you will fund them. I think we have to expect that and deal with it, since we are generating a new set of procedures and relationships between grantors and grantees.

Grace Olivarez of the State Planning Office in Santa Fe, New Mexico, and a director of the Council on Foundations, recently urged large foundations to establish regional stations in the Southwest and Rocky Mountain states "so that the problem, people and areas that are not nationally visible could stand a chance of getting private funds."[330] We have shown in Chapter III that groups removed from the Northeast have a pronounced handicap in obtaining diversified foundation funds.

Another minority spokesperson, Victoria Santana, associate tribal attorney, Blackfeet Tribe, reflected a common opinion which underlines the need for changing criteria in foundations:

> I object to the thinking on the part of foundations that things should look "professional." There are many who have learned to write pretty proposals. But there is a difference between a proposal that looks pretty and one that really works. Some organizations can be professional and it might not be reflected in their proposal.[331]

A few foundations have made technical assistance efforts to low visibility groups, encouraging them and learning from them. The Akbar and Elliott foundations jointly use a field person for Indian programs. He is one of the few full-time foundation investigators and troubleshooters for Indian programs (The Ford Foundation also uses such personnel). "He comes to *us* . . . we don't have to go to him," stated one Indian observer.[332]

We have discovered no substantial trend toward technical assistance for minority groups, however. When criteria have been detailed for evaluation procedures, they are more likely to emphasize qualities associated with proven as opposed to untried organizations. The time and effort necessary to cultivate inexperienced groups are apparently not worth the attempt, according to most foundations.

This study has attempted to cull data, which have bearing on the responsiveness of foundations to minority concerns, from a wide range of sources. The fact that much of the evidence is impressionistic and disparate, at times tangential to the major issue, is a reflection of the paucity of systematic study and thought which has been devoted to the subject. We believe that the questions raised regarding foundation involvement in institutional change, in high-risk projects, in minority-controlled efforts and the plethora of related issues is central to any consideration of the place and privileges of foundations in today's society.

Appendix

Table A-1

Dollar Value of Grants to Programs Benefiting Domestic Spanish Heritage Populations

According to Ethnicity of Beneficiaries and Ethnicity of Recipient Agencies, 1972 through March 1974

Ethnicity of Beneficiaries	Total, All Grants	Ethnicity of Minority Recipient Agencies					Non-Minority Agencies	Agency Ethnicity Unknown
		Subtotal, Minority Agencies	Chicano	Puerto Rican	Spanish Speaking	Mixed, Other		
Total	$11,557,490	$5,085,202	$3,387,780	$1,235,150	$82,272	$380,000	$6,070,038	$402,250
Chicano	5,614,495	3,144,280	3,144,280				2,455,215	15,000
Cuban	50,000						50,000	
Puerto Rican	2,174,285	1,235,150		1,235,150			908,885	30,250
Spanish Speaking	1,446,796	304,772	222,500		82,272		1,082,024	60,000
Mixed	2,271,914	401,000	21,000			380,000	1,573,914	297,000

Table A-2

Number, Rank* and Dollar Value of Grants to Programs Benefiting Domestic Spanish Heritage Populations

From Specific Foundations According to Ethnicity or Non-Ethnicity of Recipient Agencies, 1972 through March 1974

Name of Foundation	Total, All Grants		Rank, Combined Grants	Subtotal, Minority Recipient Agencies		Rank	Subtotal, Non-Minority Recipient Agencies		Rank	Agency Ethnicity Unknown
	Dollar Value	Number		Dollar Value	Number		Dollar Value	Number		
Total	$11,557,490	217		$5,085,202	85		$6,070,038	119		$402,250
Abelard Foundation	15,000	1					15,000	1		
[illegible] Fund	52,000	4		25,000	1		27,000	3		
[illegible] Foundation	15,000	1		15,000	1					
Boettcher Foundation	23,800	4		6,300	1		17,500	3		
Breckenridge Foundation	10,000	1								10,000
Buffalo Foundation	6,750	1								6,750

*Rank order of foundations according to dollar value of grants awarded. Rank 1 is assigned to the foundation making the largest total grant awards.

Table A-2 (Cont'd)

Name of Foundation	Total, All Grants		Rank, Combined Grants	Subtotal, Minority Recipient Agencies		Rank	Subtotal, Non-Minority Recipient Agencies		Rank	Agency Ethnicity Unknown
	Dollar Value	Number		Dollar Value	Number		Dollar Value	Number		
Bush Foundation	$10,000	1					$10,000	1		
Cafritz Foundation	10,000	1					10,000	1		
Calder Foundation	9,000	1		$9,000	1					
Carnegie Corp. of N. Y.	1,318,600	7	2	808,600	5	2	510,000	2	2	
Chicago Community Trust	66,450	3		66,450	3	10				
Clark (E. M.) Foundation	260,000	2	7							$260,000
Clark (R. S.) Foundation	56,070	4		10,000	1		46,070	3		
Cleveland Foundation	20,525	1					20,525	1		
Committee of the Perm. Charity Fund	145,213	8	12				145,213	8	9	
Commonwealth Fund	$309,595	2	3				$309,595	2	3	
Cummings (J. M.) Foundation	6,750	1								$6,750
ESSO Education Foundation	20,900	1					20,900	1		
Fels (S. S.) Foundation	5,000	1					5,000	1		
Field Foundation	231,000	12	9	$157,500	7	4	58,500	4		15,000
Fleischmann (M. C.) Foundation	60,000	2					60,000	2		
Ford Foundation	5,586,044	26	1	3,045,000	12	1	2,541,044	14	1	
Foundation for Child Development	7,490	1					7,490	1		
Fund for the City of New York	15,000	2					15,000	2		
General Electric Foundation	$17,500	2					$17,500	2		
Hancock (L. B.) Foundation	56,700	4					56,700	4		
Hartford Foundation for Public Giving	62,950	2		$46,950	1	9	16,000	1		
Charles Hayden Foundation	10,000	1		10,000	1					
Hoblitzelle Foundation	15,200	1					15,200	1		
Hyams (G. M.) Trust	25,000	3					15,000	2		$10,000
Irwin-Sweeney-Miller Foundation	14,000	1		14,000	1					
Johnson (R. W.) Foundation	265,000	2	6				265,000	2	5	
Kellogg (W. K.) Foundation	150,400	1	11				150,400	1	8	

Table A-2 (Cont'd)

Name of Foundation	Total, All Grants		Rank, Combined Grants	Subtotal, Minority Recipient Agencies		Rank	Subtotal, Non-Minority Recipient Agencies		Rank	Agency Ethnicity Unknown
	Dollar Value	Number		Dollar Value	Number		Dollar Value	Number		
Kresge (S. S.) Foundation	380,000	1					380,000	1		
Lilly Endowment	235,000	2	8	25,000	1		210,000	1	8	
Luce (H.) Foundation	100,000	3	17	65,000	2	9	35,000	1		
Macy (J.) Jr. Foundation	18,500	1					18,500	1		
Markle (J. M.) Foundation	152,277	2	15				152,277	2	7	
Meyer (E. A.) Foundation	105,000	5	16	45,000	3		25,000	1		35,000
[illegible] Foundation	10,000	2					10,000	2		
Moody Foundation	368,629	10	4	83,650	2	6	269,979	6	4	15,000
National Home Library Foundation	10,000	1					10,000	1		
New Haven Foundation	15,769	1					15,769	1		
N. Y. Community Trust	22,000	1		22,000	1					
New York Foundation	25,000	2		25,000	2					
Noyes (J. S.) Foundation	115,800	2	15				115,800	2		
Parker (T. E.) Foundation	11,000	2					11,000	2		
Pfeiffer (G. L.) Research Foundation	10,030	1					10,030	1		
Philadelphia Foundation	36,000	4		14,000	1		22,000	3		
Public Welfare Foundation Inc.	10,000	1					10,000	1		
Rockefeller Brothers Fund	1380,700	10	1	1208,700	7	1	172,000	3		
Rockefeller Foundation	15,000	1		15,000	1					
Rosenberg Foundation	50,925	3		11,280	1		39,645	2		
Sachem Fund	10,000	1		10,000	1					
Sage (Russell) Foundation	25,871	2		15,000	1		10,871	1		
San Francisco Foundation	86,972	5	20	71,972	4	7	15,000	1		
Schumann (F. & J.) Foundation	135,000	6	13	85,000	5	5	50,000	1		
Singer Company Foundation	20,000	2		20,000	2					
Sloan Foundation	88,720	2	19				88,720	2		

Table A-2 (Cont'd)

Name of Foundation	Total, All Grants		Numb. Combined Grants	Subtotal, Minority Recipient Agencies		Numb	Subtotal, Non-Minority Recipient Agencies		Numb	Agency Ethnicity Unknown
	Dollar Value	Number		Dollar Value	Number		Dollar Value	Number		
Stern Fund	$47,000	2		$25,000	1					$22,000
Surdna Foundation	5,000	1		5,000	1					
Tinker Foundation	110,500	3	14				$110,500	3	10	
Turrell Fund	57,720	3					57,720	3		
U. S. Steel Foundation	20,000	2		5,000	1		15,000	1		
Van Ameringen Foundation	25,000	1					25,000	1		
Victoria Foundation	99,000	8	10	42,500	4		56,500	4		
Wallace-Eljabar Fund	35,000	3		30,000	2		5,000	1		
Weatherhead Foundation	30,000	3		10,000	1		20,000	2		
Western New York Foundation	$6,750	1								$6,750
Wieboldt Fund	57,000	3		$15,000	1		$42,000	2		
Woods Charitable Fund	45,000	5		35,000	4					10,000
Zale Foundation	12,030	1					12,030	1		
Zellerbach Family Fund	7,500	1		7,500	1					

Table A-3

Number and Dollar Value of Grants

to Specific Domestic Spanish Heritage Minority Recipient Agencies

from all Reporting Foundations, 1972 through March 1974

Name of Minority Agency	Grants Received	
	Number	Dollar Value
Total	85	$5,085,202
Andromeda	1	20,000
ASPIRA, Inc.	13	622,000
ASPIRA of America	8	106,000
ASPIRA of Illinois	2	30,000
ASPIRA of New Jersey	1	7,500
ASPIRA of New York	2	360,000
ASPIRA of Pennsylvania	1	14,000
ASSPA Community Committee	1	15,000
Amigos Del Museo Del Barrio	1	18,700
Bilingual Children's Television	1	175,000

Table A-3 (Cont'd)

Name of Minority Agency	Grants Received	
	Number	Dollar Value
Capitol Formation	1	90,000
Casa Hispanic de Bellas Artes	1	5,073
Centro Cultural	1	6,300
Chicano Indian Study Center of Oregon	1	15,000
Chicanos por la Causa	2	390,000
Clinica de la Gente	1	10,000
Commission for Mexican American Affairs	2	50,000
Committee for a Unified Newark	1	25,000
FOCUS (Field Orientation Center for Spanish)	4	[illegible]
Family Tutorial Program	1	25,300
Instituto Chicano de Artes y Artesanias	1	14,300
Interstate Research Associates (A Chicano consulting firm)	1	25,000
La Raza En Accion Local	2	28,500
Mexican American Council for Economic Progress	1	58,490
Mexican American Council on Education	1	19,410
Mexican American Legal Defense Fund	1	27,500
Mexican American Legal Defense & Educational Fund	5	423,400
Mexican American Unity Council	2	600,300
Mid-West Council of La Raza	1	25,000
National Council of La Raza	1	625,000
North Bay Human Development Corporation	1	20,000
Puerto Rican Businessmen's Association	1	60,950
Puerto Rican Legal Defense Fund	2	75,000
Puerto Rican Legal Defense & Education Fund	7	185,000
Puerto Rican Research & Resource Center	1	10,000
Puerto Rican Traveling Theater	3	45,300
Puerto Rican Workshop	1	5,000
Southwest Council of La Raza	2	[illegible]
Spanish Education Development Center	2	25,300
Spanish Speaking Unity Council	2	[illegible]
Voter Education Project	1	255,000

Table A-4

Dollar Value of Grants to Domestic Spanish Heritage Populations

by Field of Service and Ethnicity of Recipient Agencies, 1972 through March 1974

Field of Service	Total, All Grants	Ethnicity of Minority Recipient Agencies					Non-Minority Agencies	Agency Ethnicity Unknown
		Subtotal, Minority Agencies	Chicano	Puerto Rican	Spanish-Speaking	Mixed, Other		
Total	$11,557,480	$5,085,202	$3,387,780	$1,235,150	$82,272	$380,000	$6,070,030	$402,250
Education	5,613,563	883,180	85,730	772,450	25,000		4,710,383	20,000
Health	392,095	55,000	35,000		20,000		337,095	
Legal Service	344,500	293,500	188,500	105,000			51,000	
Technical Assistance & Development	1,338,650	1,073,650	983,650			90,000	135,000	130,000
Welfare	1,131,860	631,600	308,600	58,000		265,000	429,760	70,500
Humanities	499,722	274,972	189,000	73,700	12,272		83,000	141,750
Religion	245,000						245,000	
Science	11,000	11,000		11,000				
General Support	174,000	145,000		120,000	25,000		29,000	
Two or more Fields of Service	1,737,500	1,647,500	1,597,500	25,000		25,000	50,000	40,000
Not Specified	69,000	69,000		69,000				

Table A-5(a)

Dollar Value of Grants to Programs Benefiting
Domestic Spanish Heritage Populations By Ethnicity of Beneficiary
and Geographic Coverage of Grant, 1972 through March 1974

Ethnicity of Beneficiaries	Total, All Grants	Region Covered by Grant				
		National	West	Northeast	North-central	South
Total	$11,557,490	$3,604,200	$1,877,005	$3,085,106	$280,475	$2,710,704
Chicano	5,614,495	1,604,700	1,590,566	10,000	62,950	2,346,279
Cuban	50,000					50,000
Puerto Rican	2,174,285	957,150		1,056,610	150,525	10,000
Spanish Speaking	1,446,796	515,750	145,049	603,997	67,000	115,000
Mixed	2,271,914	526,600	141,390	1,414,499		189,425

Table A-5(b)

Dollar Value of Grants to Programs Benefiting Domestic Spanish
Heritage Populations by Type of Area Served, 1972 through March 1974

Urban	$6,255,966	Local	$6,782,290
Rural	143,890	State/Regional	1,171,000
Urban and Rural	5,007,154	National	3,604,200
Not Specified	150,480		
Total	11,557,490	Total	11,557,490

Table A-6

Number and Dollar Value of Grants to Programs Benefiting Domestic Asian Populations

According to Ethnicity of Beneficiaries and Ethnicity of Recipient Agencies, 1972 through August 1976

Ethnicity of Beneficiaries	Total, All Grants		Subtotal, Minority Recipient Agencies		Subtotal, Non-Minority Recipient Agencies	
	Dollar Value	Number	Dollar Value	Number	Dollar Value	Number
Total	$1,243,940	42	$269,290	15	$974,650	27
Asian American	43,039	3	30,000	2	13,039	1
Chinese American	639,090	30	229,290	11	409,800	19
Korean American	10,000	2	10,000	2		
Japanese American	43,600	1			43,600	1
Filipino	18,300	1			18,300	1
Mixed	489,011	5			489,011	5

Table A-7

Number, Rank* and Dollar Value of Grants to Programs Benefiting Domestic Asian Populations

From Specific Foundations According to Ethnicity or Non-Ethnicity of Recipient Agencies, 1972 through August 1976

Name of Foundation	Total, All Grants		Rank, Combined Grants	Subtotal, Minority Recipient Agencies		Rank	Subtotal, Non-Minority Recipient Agencies		Rank
	Dollar Value	Number		Dollar Value	Number		Dollar Value	Number	
Total	$1,243,940	42		$269,290	15		$974,650	27	
Akbar Fund, IL	30,445	2	10	30,445	2	3			
Astor (V.), NY	35,000	2	9	5,000	1		30,000	1	8
Calder (L.), NY	112,000	4	3				112,000	4	2
Clark (R. S.), NY	15,000	1					15,000	1	
Donner (W.), NY	30,000	1					30,000	1	6
Field, NY	30,000	2		5,000	1		25,000	1	9

* Comparative Rank of Foundations According to Dollar Value of Grants Awarded.

Table A-7 (Cont'd)

Name of Foundation	Total, All Grants		Rank, Combined Grants	Subtotal, Minority Recipient Agencies		Rank	Subtotal, Non-Minority Recipient Agencies		Rank
	Dollar Value	Number		Dollar Value	Number		Dollar Value	Number	
Ford, NY	$346,830	2	1				$346,830	2	1
Hyams (G. M.) Trust, MA	5,000	1		$5,000	1				
Gresge, RI	25,000	1					25,000	1	
Grace (E.), NY	80,000	1	6				80,000	1	5
Luce (H.), NY	70,000	2	7	50,000	1	2	20,000	1	
New York Community Trust, NY	81,000	3	5				81,000	3	6
New York Foundation	20,000	3		5,000	1		15,000	2	
Permanent Charity Fund, MA (Comm of)	17,500	1		17,500	1	4			
Rockefeller Brothers Fund, NY	111,781	3	4				111,781	3	3
Rosenberg, CA	260,199	4	8	110,000	1	5	150,199	3	6
San Francisco Foundation, CA	178,185	9	2	141,185	6	1	37,000	3	7

Table A-8

Number and Dollar Value of Grants

to Specific Domestic Asian Minority Recipient Agencies

from all Reporting Foundations, 1972 through August 1974

Name of Minority Agency	Grants Received	
	Number	Dollar Value
Total	15	$269,290
Asian Law Caucus, S.F., CA	2	30,000
Break Free, Inc., N.Y., NY	1	50,000
Chinatown Planning Council, N.Y., NY	1	5,000
Chinatown/North Beach District Council, S.F., CA	2	44,622
Chinatown Youth Project, N.Y., NY	1	13,585
Chinese for Affirmative Action, S.F., CA	1	49,500
Chinese American Civic Association, Boston, MA	1	17,500
Chinese Culture Foundation, CA	1	10,000
Chinese Golden Age Center, Boston, MA	1	5,000
Chinese Youth Council, N.Y., NY	1	16,860
Korean Community Activity Center, N.Y., NY	1	5,000
Korean American Community Service, Chicago, IL	1	5,000
Oakland Chinese Community Council, Oakland, CA	1	17,223

Table A-9

Number and Dollar Value of Grants to Programs Benefiting Domestic Asian Populations by Field of Service and Ethnicity or Non-Ethnicity of Recipient Agencies, 1972 through August 1974

Field of Service	Total, All Grants		Minority Recipient Agencies				Non-Minority Recipient Agencies			
			Capital Program and/or General Support		All Other Programs		Capital Program and/or General Support		All Other Programs	
	No.	Dollar Value	No.	Dollar Value	No.	Dollar Value	No.	Dollar Value	No.	Dollar Value
Total	42	$1,243,940	6	$75,168	9	$194,122	5	$140,000	22	$834,650
Education & Research: Subtotal	14	682,591			4	139,622			10	542,969
·Miscellaneous & General Programs	3	100,000			1	50,000			2	50,000
·Community Programs (e.g., language, family planning)	5	379,152			1	30,122			4	349,030
·Asian American Studies	3	143,439			1	49,500			2	93,939
·Medicine-Health	1	40,000							1	40,000
·Humanities	2	20,000			1	10,000			1	10,000
Health	5	124,500			1	14,500	2	80,000	2	30,000
Legal Services	2	30,000			2	30,000				
Technical Assistance & Development	1	43,600							1	43,600
Welfare	14	262,281	2	22,500	2	10,000	2	30,000	8	199,781
Humanities	1	18,300							1	18,300
Unspecified Capital Program/ General Support	5	82,668	4	52,688			1	30,000		

Table A-10

Dollar Value of Grants to Programs Benefiting Domestic Asian Populations

By Ethnicity of Beneficiary and Geographic Coverage of Grant, 1972 through August 1976

Specified Region Served	Geographic Coverage of Grant	Specified Area Served	Total, Specified Areas	Ethnicity of Beneficiary					
				Asian American	Chinese American	Korean American	Japanese American	Filipino	Mixed
Northeast	Local	N.Y., NY	$530,226		$419,445	$5,000			$105,781
		Other, MA	369,330		22,500		$43,600		303,230
	State/ Regional	none							
Subtotal, Northeast			899,556		441,945	5,000	43,600		409,011
West	Local	S.F./ Oakland, CA	225,905	$30,000	177,605			$18,300	
		Other, CA	13,939	13,939					
	State/ Regional	Regional Areas, CA	19,540		19,540				
Subtotal, West			259,384	43,939	197,145			18,300	
Other			85,000			5,000			80,000

Table A-11

Number and Dollar Value of Grants Benefiting Internationally Focused Programs Related to Asian Populations by Field of Service, 1972 through August 1974

Field of Service	Total, All Grants		Nature of Program			
			Capital Program and/or General Support		All Other Programs	
	No.	Dollar Value	No.	Dollar Value	No.	Dollar Value
Total	400	$44,624,113	37	$9,617,571	363	$35,006,542
Education & Research Subtotal	328	38,364,222	29	8,411,071	299	29,953,151
·Miscellaneous & General Categories	47	6,023,324	9	2,568,058	38	3,455,266
·Area & International Studies	97	15,341,945	2	200,000	95	15,141,945
·Educational Programs to Promote Understanding	10	1,549,000	1	500,000	9	1,049,000
·Medicine & Health	124	7,553,250	5	1,637,000	119	5,916,250
·Science	35	5,625,190	6	2,195,020	29	3,430,170
·Economics	11	2,052,658	3	1,242,138	8	810,520
·Humanities	4	218,855	3	68,855	1	150,000
Health	4	55,000	2	27,000	2	28,000
Legal Services	3	158,200			3	158,200
Technical Assistance & Development	24	3,663,650			24	3,663,650
Welfare	13	1,082,408	3	811,000	10	271,408
Humanities	10	195,650			10	195,650
Religion	2	210,000	2	210,000		
Family Planning Program	16	894,983	1	158,500	15	736,483

Bibliography

Allen, Herb (ed.), *The Bread Game: The Realities of Foundation Fundraising*, rev. ed., A Joint Venture of Regional Young Adult Project and Pacific Change, Glide Publications, San Francisco, 1974.

Andrews, F. Emerson, *Foundation Watcher*, Franklin and Marshall College, Lancaster, Pennsylvania, 1973.

Annual Report for the Fiscal Year Ended September 30, 1973, Carnegie Corporation of New York, New York, 1974.

"The Association of Black Foundation Executives: A Conversation with Robert W. Hearn," *Grantsmanship Center News*, No. 8, October/November 1974, pp. 20, 54.

Atterbury, B.P., "Experiments in Making Foundation Credit Available to the Poor," *Business Lawyer*, Special Issue 1969, pp. 21-25.

Baroni, Msgr. Geno, Testimony before Senate Subcommittee on Foundations, Washington, D.C., May 13, 1974.

Bittker, Boris I., "Charitable Contributions: Tax Deductions or Matching Grants?" *Tax Law Review*, Vol. 28, 1972, pp. 37-63.

"Blacks in Higher Education," *Chronicle of Higher Education*, Vol. IX, No. 19, February 10, 1975, p. 2.

"Capital Observations: Senate finance unit hears foundation experts; panelists discuss independent charity agency," *Foundation News*, Vol. 14, No. 6, November/December 1973, pp. 8-10.

"Capital Observations: Sen. Hartke sees need for foundations to have 'well-defined purposes and clearly delineated policies'," *Foundation News*, Vol. 15, No. 3, May/June 1974, pp. 8-9.

The Commission on Foundations and Private Philanthropy, *Foundations, Private Giving, and Public Policy*, The University of Chicago Press, Chicago, 1970.

The Commission on Foundations and Private Philanthropy, *Foundations, Private Giving, and Public Policy: A Summary of Findings and Recommendations*, The University of Chicago Press, Chicago, 1970.

A Comprehensive Effort in Black Economic Development, Report of Activities 1972-73, Three Associated Black Institutions (Black Economic Research Center, Emergency Land Fund, Twenty-First Century Foundation), New York.

Corson, John J. and Harry V. Hodson (eds.), *Philanthropy in the 70s: An Anglo-American Discussion*, The Council on Foundations, New York, 1973.

The Council on Foundations, Inc., "Report and Recommendations on Private Philanthropic Foundations to the Commission on Private Philanthropy and Public Needs," unpublished, August 12, 1974.

Crossland, George, "Viewpoints from Readers: Some New Priorities for Indians," *Foundation News*, Vol. 14, No. 5, September/October 1973, pp. 12-13.

"Cummins Engine Foundation Changes Operation," *Foundation News*, Vol. XI, No. 2, March/April 1970, pp. 59-61.

Current Interests of the Ford Foundation, The Ford Foundation, New York, 1974.

Dunlop, Beth, "A Success Story: Pittsburgh's Neighborhood Housing Services," *Foundation News*, Vol. 15, No. 5, September/October 1974, pp. 49-56.

Dyer, James M., "The Big Foundations: Book Review," *Review of Black Political Economy*, Vol. 3, No. 3, Spring 1973, pp. 118-120.

Evans, Gwendolyn, "Funding the Third World," *San Francisco Chronicle*, October 14, 1974, p. 15.

"External Affirmative Action," *Ford Foundation Letter*, Vol. 5, No. 4, June 15, 1974, p. 1.

Farber, M.A., "Ford Foundation To Slash Grants Over Next 4 Years," *New York Times*, December 15, 1974, pp. 1, 30.

"Federal Communications Commission – Community Problems; Ascertainment by Broadcast Applicants," *Federal Register*, Vol. 40, No. 98, Part II, May 20, 1975, pp. 22092-22108.

"For Foundation Administrators: Council on Foundations adopts Affirmative Action policy with respect to employment," *Foundation News*, Vol. 14, No. 3, May/June 1973, p. 2.

"For Foundation Administrators: Foundation Center's annual grants summary exceeds $1 billion for the first time," *Foundation News*, Vol. 13, No. 1, January/February 1972, pp. 4-6, 37-39.

"For Foundation Administrators: Science Group urges elimination of 'unintentionally discriminatory' practices on grants and contracts," *Foundation News*, Vol. 15, No. 5, September/October 1974, pp. 2-3.

The Foundation Center, *1973 Annual Report*, New York, 1974.

The Foundation Center, *The Foundation Directory*, Mariana O. Lewis (ed.), 4th ed., Columbia University Press, New York, 1971.

The Foundation Center, *The Foundation Grants Index*, 1972, Lee Noe (grants ed.), Columbia University Press, New York, 1973.

The Foundation Center, *The Foundation Grants Index, 1973*, Lee Noe (grants ed.), Columbia University Press, New York, 1974.

Galarza, Ernesto, "Private Funding of Programs to Assist Mexican-American Communities – A Perspective," unpublished paper prepared for Human Resources Corporation, 1974.

The Gallup Organization, Inc., "Public Awareness of and Attitudes Toward Philanthropic Foundations," a Summary of Principal Findings from a survey commissioned by the Council on Foundations, New York, 1973.

Gillies, Archibald L., "Real Politics," *Foundation News*, Vol. 16, No. 1, January/February 1975, pp. 20-22.

Giving USA – 1974 Annual Report, American Association of Fund-Raising Counsel, Inc., New York, 1974.

"Granting the South More Black Lawyers," *Business Week*, April 20, 1974, p. 43.

"A Hard-Hitting Talk by Grace Olivarez," *Council on Foundations: Regional Reporter*, Vol. III, No. 2, June 1974, p. 7.

Hartke, Vance, "Foundations: Blueprints for Progress," *Foundation News*, Vol. 15, No. 4, July/August 1974, pp. 18-20.

Haskins, Caryl P., "A Foundation Board Looks at Itself," *Foundation News*, Vol. 13, No. 2, March/April 1972, pp. 9-14.

Hearn, Robert W., "Foundation Trustees: The Need for Diversity," *Foundation News*, Vol. 15, No. 6, November/December 1974, pp. 11-15.

Heimann, Fritz F. (ed.), *The Future of Foundations,* The American Assembly, Columbia University, Prentice-Hall, Inc., Englewood Cliffs, N.J., 1973.

Homan, Nancy L., "Foundation Funds in Aid of Blacks: For a More Thoughtful Distribution," *Journal of Higher Education,* Vol. 41, No. 9, December 1970, pp. 695-700.

"How Foundations Can Use the Computerized Files of the Foundation Center," The Foundation Center, New York, 1973.

Hunter, David R., "Foundations Above the Battle," Address at the 26th Annual Conference, Council on Foundations, Chicago, Illinois, April 22, 1975.

Jordan, Vernon E., "The Foundation and Society," Address before the Foundation Luncheon Group, New York City, June 13, 1972.

Jordan, Vernon E., "The Foundation and Society," *Foundation News,* Vol. 13, No. 5, September/October 1972, pp. 27-31.

Joseph, James A., "Blacks in Foundations," *Foundation News,* Vol. 13, No. 5, September/October 1972, pp. 31-33.

Kennedy, Patrick W., "Opinion and Commentary: on communications," *Foundation News,* Vol. 15, No. 3, May/June 1974, p. 56.

Kiritz, Norton J., Presentation at the Panel, "What Foundations Can Give Other Than Money," 25th Annual Conference, Council on Foundations, San Antonio, Texas, May 8, 1974.

Loory, Stuart H., "Foundations Snub Mexican-Americans," *San Jose Mercury,* April 2, 1969, p. 37.

Magarrell, Jack, "How Firm the Foundations?" *Chronicle of Higher Education,* Vol. IX, No. 2, September 30, 1974, pp. 1, 7.

Magat, Richard, "Compliance vs. Information: The 990-AR," *Foundation News,* Vol. 13, No. 1, January/February 1972, pp. 13-18.

Mann, James, "The Tax Threat to Private Giving," *AGB Reports,* Vol. 17, No. 3, November/December 1974, pp. 8-19.

Margolis, Richard J., "White Philanthropy and the Red Man," *Foundation News,* Vol. 14, No. 2, March/April 1973, pp. 13-22.

Mavity, Jane H. and Paul N. Ylvisaker, "The Role of Private Philanthropy in Public Affairs," unpublished, A Report to the Commission on Private Philanthropy and Public Needs, September 18, 1974.

McDaniel, Paul R., "Federal Matching Grants for Charitable Contributions: A Substitute for the Income Tax Deduction," *Tax Law Review,* Vol. 27, 1972, pp. 377-413.

Muse, Daphne P., "Pacific Change: New Process in the Foundation World," *Foundation News,* Vol. 15, No. 1, January/February 1974, pp. 19-23.

The National Planning Association, "Summary of Studies Comparing Foundation Grants to Federal Expenditures for Fiscal Year 1973," unpublished, Washington, D.C., September 4, 1974.

Nielsen, Waldemar A., *The Big Foundations,* A Twentieth Century Fund Study, Columbia University Press, New York, 1972.

"Notes: Regulating the Political Activity of Foundations," *Harvard Law Review,* Vol. 83, 1970, pp. 1843-1869.

"Of Special Interest: Tired of Explaining Who You Are and What You Are? Pay Close Attention," *Foundation News,* Vol. 15, No. 6, November/December 1974, pp. 37-38.

Program Related Investments: A Different Approach to Philanthropy, The Ford Foundation, New York, 1974.

The Role of NMF in Minority Education, National Medical Fellowships, Inc., New York.

Samora, Julian, "Introduction," unpublished paper presented at Conference on Michigan Foundations, Ann Arbor, Michigan, February 21, 1974.

The San Francisco Foundation, "Guide to California Foundations," grant request to Rosenberg Foundation, San Francisco, January 15, 1975.

The San Francisco Foundation Newsletter, Fall 1974.

Sellin, Henry (ed.), *Proceedings of the 8th Biennial Conference on Charitable Foundations*, New York University, M. Bender, Albany, N.Y., 1967.

Sellin, Henry (ed.), *Proceedings of the 9th Biennial Conference on Charitable Foundations*, New York University, M. Bender, Albany, N.Y., 1969.

A Step Toward Equal Justice: Programs to Increase Black Lawyers in the South, 1969-1973, An Evaluation Report to the Carnegie Corporation of New York.

Townsend, Ted H., "Criteria Grantors Use In Assessing Proposals," *Foundation News*, Vol. 15, No. 2, March/April 1974, pp. 33-38.

U.S. Bureau of the Census, *1970 Census of Population: General Social and Economic Characteristics: United States Summary*, PC(1)-C1, Government Printing Office, Washington, D C., 1972.

U.S. Bureau of the Census, *1970 Census of Population: Subject Reports: Japanese, Chinese, and Filipinos in the United States*, PC(2)-1G, Government Printing Office, Washington, D.C., 1973.

U.S. Bureau of the Census, *1970 Census of Population: Subject Reports: Persons of Spanish Surname*, PC(2)-1D, Government Printing Office, Washington, D.C., 1973.

U.S. Congress, House, Subcommittee on Domestic Finance of the Committee on Banking and Currency, *Tax-Exempt Foundations and Charitable Trusts: Their Impact on our Economy*, 8th Installment, 92nd Congress, 2d Session, 1972.

Vanguard Foundation, *Second Annual Report: 1973*, San Francisco.

Voluntarism, Tax Reform, and Higher Education, Council for Financial Aid to Education, New York, 1973.

Weaver, Warren, *U.S. Philanthropic Foundations: Their History, Structure and Management*, Harper and Row, New York, 1967.

Whiting, Basil, J., "Is There a New Grantor-Grantee Relationship?" *Foundation News*, Vol. XI, No. 5, September/October 1970, pp. 173-177.

Wildavsky, Aaron, *Politics of the Budgetary Process*, 2d ed., Little Brown, Boston, 1974.

Winnet, Nochem S., "Small Grants and Some Long Thoughts," *Foundation News*, Vol. 15, No. 6, November/December 1974, pp. 22-24.

"Women and Power," *Grantsmanship Center News*, No. 7, August/September 1974, p. 7.

"The Word is Important," *Foundations of Northern California/A Newsletter*, Vol. 1, No. 1, Winter 1974, p. 1.

Young, Donald R. and Wilbert E. Moore, *Trusteeship and the Management of Foundations*, Russell Sage Foundation, New York, 1969.

Zapruder, Henry G., "Analysis of Provisions Affecting Foundations," *Non-Profit Report*, Vol. 3, No. 5, May 1970, pp. 2-5.

Zurcher, Arnold J., *The Management of American Foundations: Administration, Policies, and Social Roles*, New York University Press, New York, 1972.

Zurcher, Arnold J., and Jane Dustan, *The Foundation Administrator*, Russell Sage Foundation, New York, 1972.

Acknowledgements

This study was conducted under Grant No. ERP-7421650 from the National Science Foundation for the project entitled, "Private Foundation Responsiveness to Concerns of Ethnic Minorities – Exploratory Research on Policy Issues and Research Needs." The presentations, conclusions, and recommendations are the responsibility of Human Resources Corporation and do not necessarily reflect the ideas or positions of the National Science Foundation. Quntations from this report are therefore not permitted without prior written approval from Human Resources Corporation.

Footnotes

1. "Federal Communications Commission – Community Problems; Ascertainment by Broadcast Applicants," *Federal Register*, Vol. 40, No. 98, Part II, p. 22, 101, May 20, 1975.

2. David R. Hunter, "Foundations Above the Battle," Address at 26th Annual Conference, Council on Foundations, Chicago, Illinois, April 22, 1975.

3. The Foundation Center, *The Foundation Directory*, Marianna O. Lewis (ed.), 4th ed., Columbia University Press, New York, 1971, p. vii.

4. Ibid.

5. Arnold J. Zurcher and Jane Dustan, *The Foundation Administrator*, Russell Sage Foundation, New York, 1972, p. 1.

6. Thomas Parrish, "The Foundation: 'A Special American Institution'," in Fritz F. Heimann (ed.), *The Future of Foundations*, The American Assembly, Columbia University, Prentice-Hall, Inc., Englewood Cliffs, N.J., 1973, p. 10.

7. Henry G. Zapruder, "Analysis of Provisions Affecting Foundations," *Non-Profit Report*, Vol. 3, No. 5, p. 2, May 1970.

8. Ibid., p. 3.

9. Ibid., p. 4.

10. Ibid.

11. Zurcher and Dustan, op. cit., p. 7.

12. Parrish, loc. cit.

13. F. Emerson Andrews, "Philanthropy in the United States: History and Structure," in John J. Corson and Harry V. Hodson (eds.), *Philanthropy in the 70's: An Anglo American Discussion*, The Council on Foundations, New York, 1973, pp. 95-96.

14. Herb Allen (ed.), *The Bread Game: The Realities of Foundation Fundraising*, rev. ed., A Joint Venture of Regional Young Adult Project and Pacific Change, Glide Publications, San Francisco, 1974, pp. 13-14.

15. U.S. Congress, House Subcommittee on Domestic Finance of the Committee on Banking and Currency, *Tax-Exempt Foundations and Charitable Trusts: Their Impact on our Economy*, 8th Installment, 92d Congress, 2d Session, 1972, p. 2.

16. The Commission on Foundations and Private Philanthropy, *Foundations, Private Giving, and Public Policy: A Summary of Findings and Recommendations*, The University of Chicago Press, Chicago, 1970, pp. 8-9.

17. Council on Foundations, Inc., "Report and Recommendations on Private Philanthropic Foundations to the Commission on Private Philanthropy and Public Needs," unpublished, August 12, 1974.

18. The Foundation Center, op. ci[illegible] xiii.

19. Ibid., p. xv.

20. Council on Foundations, loc. cit.

21. Jack Magarrell, "How Firm the Foundations?," *The Chronicle of Higher Education*, Vol. IX, No. 2, p. 1, September 30, 1974.

22. M.A. Farber, "Ford Foundation to Slash Grants Over Next 4 Years," *The New York Times*, December 15, 1974, pp. 1, 30.

23. The Foundation Center, op. cit., p. xv.

24. Ibid., pp. xv-xvi.

25. "For Foundation Administrators: Foundation Center's annual grants summary exceeds $1 billion for the first time," *Foundation News*, Vol. 13, No. 1, January/February 1972.

26. Andrews, loc. cit.

27. The Commission on Foundations and Private Philanthropy, *Foundations, Private Giving, and Public Policy*, The University of Chicago Press, Chicago, 1970, p. 83.

28. The National Planning Association, "Summary of Studies Comparing Foundation Grants to Federal Expenditures for Fiscal Year 1973," confidential, unpublished, not for release, Washington, D.C. September 4, 1974.

29. Ibid.

30. Ibid.

31. *Giving USA – 1974 Annual Report*, American Association of Fund-Raising Counsel, Inc., New York, 1974, p. 6.

32. Ibid., p. 28.

33. The Foundation Center, *The Foundation Grants Index, 1972*, Lee Noe (grants ed.), Columbia University Press, New York, 1973; and The Foundation Center, *The Foundation Grants Index, 1973*, Lee Noe (grants ed.), Columbia University Press, New York, 1974.

34. *1973 Annual Report*, The Foundation Center, New York, 1974, p. 17.

35. "How Foundations Can Use the Computerized Files at The Foundation Center," The Foundation Center, New York, 1973, p. 6.

36. Ibid., p. 5.

37. U.S. Bureau of the Census, *1970 Census of Population: General Social and Economic Characteristics: United States Summary*, PC (1)-C1, Government Printing Office, Washington, D.C. 1972, pp. 1-359.

38. Ibid., Tables 86 and 130.

39. Data derived from U.S. Bureau of the Census, *1970 Census of Population: Subject Reports: Persons of Spanish Surname*, PC(2)-1D, Government Printing Office, Washington, D.C. 1973, p. vii; and U.S. Bureau of the Census, *General Characteristics*, pp. 1-425.

40. U.S. Bureau of the Census, *1970 Census of Population: Subject Reports: Japanese, Chinese, and Filipinos in the United States*, PC(2)-1G, Government Printing Office, Washington, D.C., 1973, Tables 16 and 26.

41. Vance Hartke, "Foundations: Blueprints for Progress," *Foundation News*, Vol. 15, No. 4, p. 19, July/August 1974.

42. Fritz F. Heimann, "Foundations and Government: Perspectives for the Future," in Fritz F. Heimann (ed.), *The Future of Foundations*, The American Assembly, Columbia University, Prentice-Hall, Inc. Englewood Cliffs, N.J., 1973, p. 261.

43. Jane H. Mavity, and Paul N. Ylvisaker, "The Role of Private Philanthropy in Public Affairs," A Report to the Commission on Private Philanthropy and Public Needs, September 18, 1974, Chapter Five, p. 10.

44. Ibid.

45. John J. Corson, "Recognizing Again the Social Utility of Philanthropy in the United States," in John J. Corson and Harry V. Hodson (eds.), *Philanthropy in the 70's: An Anglo-American Discussion*, The Council on Foundations, New York, 1973, p. 54.

46. The Commission on Foundations and Private Philanthropy, *Foundations, Private Giving, and Public Policy*, The University of Chicago Press, Chicago, 1970, pp. 13-14.

47. The Council on Foundations, Inc. "Report and Recommendations on Private Philanthropic Foundations to the Commission on Private Philanthropy and Public Needs," unpublished, August 12, 1974, p. 1-7, citing Dr. Landrum R. Bolling in U.S. Congress, Senate, Committee on Finance, Hearings . . . on Private Foundations, *October 1 and 2, 1973, p. 74.*

48. Arnold J. Zurcher, *The Management of American Foundations: Administration, Policies, and Social Roles*, New York University Press, New York, 1972, p. 13.

49. Zurcher, op. cit., p. 100.

50. *Volunteerism, Tax Reform, and Higher Education*, Council for Financial Aid to Education, New York, 1973, p. 12.

51. Boris I. Bittker, "Charitable Contributions: Tax Deductions or Matching Grants?" *Tax Law Review*, Vol. 28, pp. 53-54, 1972.

52. James Mann, "The Tax Threat to Private Giving," *AGB Reports*, Vol. 17, No. [illegible], p. 13, November/December 1974.

53. Council for Financial Aid to Education, op. cit. p. 15.

54. Bittker, op. cit. p. 55.

55. Paul R. McDaniel, "Federal Matching Grants for Charitable Contributions: A Substitute for the Income Tax Deduction," *Tax Law Review*, Vol. 27, p. 378, 1972.

56. Bittker, op. cit., p. 42.

57. Waldemar A. Nielsen, *The Big Foundations*, A Twentieth Century Fund Study, Columbia University Press, New York, 1972, p. 375.

58. Ibid.

59. "Notes: Regulating the Political Activity of Foundations," *Harvard Law Review*, Vol. 83, p. 1850, 1970.

60. Ibid., p. 1851.

61. Ibid., p. 1852.

62. John R. Labovitz, "1969 Tax Reforms Reconsidered," in Fritz F. Heimann (ed.), *The Future of Foundations*, op. cit. p. 104.

63. Ibid., p. 122.

64. The Council on Foundations, Inc., op. cit., p. III-21.

65. Mavity and Ylvisaker, op. cit., Chapter Four, pp. 3-5.

66. Labovitz, op. cit., p. 117.

67. The Council on Foundations, op. cit., pp. III-17-18.

68. Ibid.

69. Basil J. Whiting, "Is There a New Grantor-Grantee Relationship?" *Foundation News*, Vol. XI, No. 5, p. 174, September-October 1970.

70. Labovitz, op. cit., p. 119.

71. "Capital Observations: Senate finance unit hears foundation experts, panelists discuss independent charity agency," *Foundation News*, Vol. 14, No. 6, p. 9, November/December 1973.

72. Waldemar A. Nielsen, *The Big Foundations*, A Twentieth Century Fund Study, Columbia University Press, New York, 1972, pp. 4-5.

73. Ibid.

74. Ibid., p. 6, citing Rene A. Wormser, *Foundations: Their Power and Influence*, Devin-Adair, New York, 1968.

75. Ibid., p. 7, citing David Horowitz and David Kolodney, "The Foundations [Charity Begins at Home]," *Ramparts*, April 1969.

76. Thomas Parrish, "The Foundation: 'A Special American Institution'," in Fritz F. Heimann (ed.), *The Future of Foundations*, The American Assembly, Columbia University, Prentice-Hall, Inc., Englewood Cliffs, N.J., 1973, pp. 30-31.

77. Ibid., pp. 31-32.

78. Ibid., pp. 33-35.

79. Nielsen, op. cit., p. 7, 8.

80. Nielsen, op. cit., p. 8.

81. Parrish, op. cit., p. 36.

82. Nielsen, op. cit., pp. 7-10.

83. Ibid., p. 11.

84. Ibid., p. 11.

85. The Commission on Foundations and Private Philanthropy, *Foundations, Private Giving, and Public Policy*, The University of Chicago Press, 1970, p. 68.

86. Ibid., pp. 68-69

87. Nielsen, op. cit., pp. 19-20.

88. Ibid., pp. 18-19.

89. Parrish, op. cit., pp. 39-40.

90. Ibid., p. 40.

91. Jane H. Mavity and Paul N. Ylvisaker, "The Role of Private Philanthropy in Public Affairs," paper prepared for the Commission on Private Philanthropy and Public Needs, 1974, Chapter Four, p. 1.

92. Ibid.

93. Nielsen, op. cit., pp. 354-355.

94. The Commission on Foundations and Private Philanthropy, op. cit., p. 82.

95. Ibid.

96. Ibid., p. 84.

97. Ibid., pp. 85-86.

98. Ibid., p. 191.

99. Ibid., p. 215.

100. Ibid., p. 216.

101. Vernon E. Jordan, "The Foundation and Society," *Foundation News*, Vol. 13, No. 5, p. 27, September/October 1972.

102. Ibid., p. 28.

103. Ibid., p. 29.

104. Ibid.

105. Ibid.

106. Ibid., p. 30.

107. Vernon E. Jordan, "The Foundation and Society," Address before the Foundation Luncheon Group, New York City, June 13, 1972, pp. 8-10.

108. Ibid., p. 10.

109. Ibid., p. 11.

110. Ibid., pp. 11-12.

111. Ibid., p. 12.

112. Herb Allen (ed.), *The Bread Game: The Realities of Foundation Fund Raising*, rev. ed., A Joint Venture of Regional Young Adult Project and Pacific Change, Glide Publications, San Francisco, 1974, p. 10.

113. Julian Samora, "Introduction," unpublished paper presented at Conference on Michigan Foundations, Ann Arbor, Michigan, February 21, 1974.

114. Daphne P. Muse, "Pacific Change: New Process in the Foundations World," *Foundation News*, Vol. 15, No. 1, pp. 19-20, January/February 1974.

115. Ibid., p. 21.

116. Ernesto Galarza, "Private Funding of Programs to Assist Mexican-American Communities – A Perspective," unpublished paper, prepared for Human Resources Corporation, 1974, pp. 3-4.

117. Ibid., p. 4-5.

118. Ibid., p. 6.

119. Ibid., pp. 6-7.

120. Ibid., p. 8.

121. Ibid., pp. 8-10.

122. Ibid., p. 10.

123. Ibid., p. 11.

124. James M. Dyer, "The Big Foundations: Book Review," *The Review of Black Political Economy*, Vol. 3, No. 3, pp. 119-120, Spring 1973.

125. Ibid., p. 120.

126. Donald R. Young, "Trustees and Foundation Management," in Donald R. Young and Wilbert E. Moore, *Trusteeship and the Management of Foundations*, Russell Sage Foundation, New York, 1969, p. 131.

127. Nielsen, *op. cit.*, pp. 405-406.

128. Gwendolyn Evans, "Funding the Third World," *San Francisco Chronicle*, October 14, 1974.

129. Ibid.

130. Ibid.

131. Alan Pifer, "The Report of the President," Annual Report for the Fiscal Year Ended September 30, 1973, Carnegie Corporation of New York, New York, 1974, pp. 11-12.

132. *Giving USA – 1974 Annual Report*, American Association of Fund-Raising Counsel, Inc., New York, 1974, p. 15.

133. Nielsen, *op. cit.*, p. 80.

134. Ibid., pp. 80-81.

135. Ibid., p. 78.

136. Martin A. Paley, "Comment," *The San Francisco Foundation Newsletter*, Fall 1974.

137. Archibald L. Gillies, "Real Politics," *Foundation News*, Vol. 16, No. 1, p. 21, January/February 1975.

138. "Capital Observations: Sen. Hartke sees need for foundations to have 'well-defined purposes and clearly delineated policies'," *Foundation News*, Vol. 15, No. 3, p. 9, May/June 1974.

139. John G. Simon, "Foundations and Public Controversy: An Affirmative View," in Fritz F. Heimann (ed.), *The Future of Foundations*, op. cit., p. 61.

140. Ibid., pp. 62-63.

141. Ibid., pp. 63-64.

142. Ibid., pp. 66-67.

143. Ibid., p. 67.

144. Ibid., pp. 70-71.

145. Ibid., p. 71.

146. Ibid., p. 72.

147. Ibid., pp. 72-73.

148. Ibid., p. 73.

149. Ibid., p. 92.

150. Ibid., p. 93.

151. Jeffrey Hart, "Foundations and Social Activism: A Critical View," in Fritz F. Heimann (ed.), *The Future of Foundations*, op. cit., p. 44.

152. Ibid., pp. 47-48.

153. Ibid., p. 48.

154. Ibid., pp. 49-53.

155. Ibid., pp. 53-55.

156. Ibid., pp. 55-57.

157. Barbara E. Shenfield, "A Summary of the Debates," in John J. Corson and Harry V. Hodson (eds.), *Philanthropy in the 70s: An Anglo-American Discussion*, The Council on Foundations, New York, 1973, pp. 19-20.

158. Harry V. Hodson, "A British Reflection on the Conference," in John J. Corson and Harry V. Hodson (eds.) *Philanthropy in the 70s*, op. cit., p. 40.

159. John J. Corson, "Recognizing Again the Social Utility of Philanthropy in the United States," in John J. Corson and Harry V. Hodson (eds.), *Philanthropy in the 70s*, op. cit., pp. 46-47.

160. The Commission on Foundations and Private Philanthropy, op. cit., p. 15.

161. Ibid., pp. 16-18.

162. Mavity and Ylvisaker, op. cit., Chapter One, pp. 4-6.

163. Ibid., p. 19.

164. Ibid.

165. Ibid., p. 22.

166. Ibid., p. 23.

167. Ibid., p. 24.

168. Ibid., p. 25.

169. Ibid., p. 26.

170. Ibid., pp. 26-27.

171. Ibid., pp. 27-28.

172. Ibid., pp. 28-29.

173. Ibid., p. 30.

174. Ibid., p. 31.

175. Ibid., Chapter Two, pp. 8-9.

176. Ibid., p. 11.

177. Ibid., p. 12.

178. Ibid., Chapter Three, p. 1.

179. Ibid., pp. 2-3.

180. Ibid., pp. 3-9.

181. Ibid., pp. 7-8.

182. Ibid., pp. 10-15.

183. Msgr. Geno Baroni, Testimony before Senate Subcommittee on Foundations, Washington, D.C., May 13, 1974, pp. 2-3.

184. Ibid., p. 8.

185. David R. Hunter, "Foundations Above the Battle," Address at the 26th Annual Conference, Council on Foundations, Chicago, Illinois, April 22, 1975.

186. Richard J. Margolis, "White Philanthropy and the Red Man," *Foundation News*, Vol. 14, No. 2, pp. 17-18, March/April 1973.

187. Ibid., p. 18.

188. The Gallup Organization, Inc., "Public Awareness at and Attitudes Toward Philanthropic Foundations," A Summary of Principal Findings from a Survey Commissioned by the Council on Foundations, New York, 1973, p. 16.

189. Ibid., p. 17.

190. Barbara E. Shenfield, "A Summary of the Debates," in John J. Corson and Harry V. Hodson (eds.), *Philanthropy in the 70s: An Anglo American Discussion*, The Council on Foundations, New York, 1973, p. 9.

191. Arnold J. Zurcher, *The Management of American Foundations: Administration, Policies, and Social Role*, New York University Press, New York, 1972, pp. 99-100.

192. Arnold J. Zurcher and Jane Dustan, *The Foundation Administrator*, Russell Sage Foundation, New York, 1972, p. 133.

193. Warren Weaver, *U.S. Philanthropic Foundations: Their History, Structure and Management*, Harper and Row, New York, 1967, p. 441.

194. "For Foundation Administrators: Science group urges elimination of 'unintentionally discriminatory' practices on grants and contracts," *Foundation News*, Vol. 15, No. 5, pp. 2-3, September/October 1974.

195. Ibid., p. 3.

196. "Capital Observations: Sen. Hartke sees need for foundations to have 'well-defined purposes and clearly delineated policies'," *Foundation News*, Vol. 15, No. 3, p. 9, May/June 1974.

197. Vance Hartke, "Foundations: Blueprints for Progress," *Foundation News*, Vol. 15, No. 4, p. 20, July/August 1974.

198. Vernon E. Jordan, "The Foundation and Society," Address before the Foundation Luncheon Group, New York City, June 13, 1972, p. 7.

199. Archibald L. Gillies, "Real Politics," *Foundation News*, Vol. 16, No. 1, p. 20, January/February 1975.

200. Ibid., p. 22.

201. Robert H. Browne, "President's Statement," in Three Associated Black Institutions (Black Economic Research Center, Emergency Land Fund, Twenty-First Century Foundation), *A Comprehensive Effort in Black Economic Development*, Report of Activities 1972-73, New York, p. 2.

202. Three Associated Black Institutions, op. cit., p. 28.

203. Ibid., p. 29.

204. Ibid.

205. *Program Related Investments: A Different Approach to Philanthropy*, The Ford Foundation, New York, 1974, p. 4.

206. B.P. Atterbury, "Experiments in Making Foundation Credit Available to the Poor," *Business Lawyer*, Special Issue 1969, p. 21.

207. Ibid., pp. 21-22.

208. The Ford Foundation, op. cit., pp. 4, 6.

209. Ibid., p. 5.

210. Ibid., p. 6.

211. Ibid., pp. 6-7.

212. *Second Annual Report: 1973*, Vanguard Foundation, San Francisco, 1973, p. 2.

213. Ibid.

214. Beth Dunlop, "A Success Story: Pittsburgh's Neighborhood Housing Services," *Foundation News*, Vol. 15, No. 5, p. 49, September/October 1974.

215. Ibid., p. 51.

216. Ibid.

217. Ibid., p. 54.

218. Ibid., pp. 55-56.

219. Shenfield, op. cit., p. 19.

220. Msgr. Geno Baroni, Testimony before Senate Subcommittee on Foundations, Washington, D.C., May 13, 1974, p. 3.

221. Waldemar A. Nielsen, *The Big Foundations*, A Twentieth Century Fund Study, Columbia University Press, New York, 1972, p. 347.

222. Ibid., p. 350.

223. Ibid., pp. 358-359.

224. Ibid., p. 359.

225. Ibid., p. 360.

226. Ibid., p. 361.

227. M.A. Farber, "Ford Foundation to Slash Grants Over Next 4 Years," *New York Times*, December 15, 1974, pp. 1, 30.

228. "Current Interests of the Ford Foundation," The Ford Foundation, New York, 1974, pp. 7-8.

229. Ibid., p. 9.

230. Ibid., pp. 10-11.

231. Eli Evans, "Introduction," *A Step Toward Equal Justice: Programs to Increase Black Lawyers in the South, 1969-1973*, An Evaluation Report to Carnegie Corporation of New York, p. 5.

232. "Granting the South More Black Lawyers," *Business Week*, April 20, 1974, p. 43.

233. Evans, op. cit., pp. 5, 9.

234. Ibid., pp. 6-7.

235. Ibid., p. 11.

236. Alan Pifer, "The Report of the President," *Annual Report for the Fiscal Year Ended September 30, 1973*, Carnegie Corporation of New York, New York, 1974, p. 7.

237. *The Role of NMF in Minority Education*, National Medical Fellowships, Inc., New York.

238. Ibid.

239. Ibid.

240. Margolis, op. cit., pp. 13-14.

241. Ibid., p. 14.

242. Ibid., p. 15.

243. Ibid.

244. Ibid., p. 16.

245. Ibid.

246. Ibid.

247. Ibid., p. 21.

248. Ibid., p. 22.

249. Ibid.

250. Jordan, Address before the Foundation Luncheon Group, op. cit., pp. 8-10.

251. James A. Joseph, "Blacks in Foundations," *Foundation News*, Vol. 13, No. 5, pp. 32-33, September/October 1972.

252. Ibid., p. 33.

253. Three Associated Black Institutions, loc. cit.

254. Nancy L. Homan, "Foundation Funds in Aid of Blacks: For a More Thoughtful Distribution," *Journal of Higher Education*, Vol. 41, No. 9, p. 697, December 1970.

255. Ibid., pp. 699-700.

256. "Blacks in Higher Education," *Chronicle of Higher Education*, Vol. IX, No. 19, p. 2, February 10, 1975.

257. Ibid.

258. Information received by telephone from a spokesperson for the Japanese American Citizens League.

259. Stuart H. Loory, "Foundations Snub Mexican-Americans," *San Jose Mercury*, April 2, 1969, p. 37.

260. Ibid.

261. F. Emerson Andrews, *Foundation Watcher*, Franklin and Marshall College, Lancaster, Pennsylvania, 1973, p. 157.

262. Arnold J. Zurcher and Jane Dustan, *The Foundation Administrator*, Russell Sage Foundation, New York, 1972, p. 140.

263. Arnold J. Zurcher, *The Management of American Foundations: Administration, Policies, and Social Roles*, New York University Press, New York, 1972, p. 30.

264. The Commission on Foundations and Private Philanthropy, *Foundations, Private Giving, and Public Policy*, The University of Chicago Press, Chicago, 1970, p. 88.

265. Ibid., p. 89.

266. Ibid.

267. Ibid., p. 88.

268. Zurcher, op. cit., p. 31.

269. Zurcher and Dustan, loc. cit.

270. Oroville G. Brim, Jr., "Do We Know What We Are Doing?," in Fritz F. Heimann (ed.), *The Future of Foundations*, The American Assembly, Columbia University, Prentice-Hall, Inc., Englewood Cliffs, N.J., 1973, p. 195.

271. Andrews, op. cit., pp. 154-155.

272. The Commission on Foundations and Private Philanthropy, op. cit., pp. 89-90.

273. Ibid.

274. Waldemar A. Nielsen, *The Big Foundations*, A Twentieth Century Fund Study, Columbia University Press, New York, 1972, p. 316.

275. Ibid.

276. Donald R. Young, "Trustees and Foundation Management," in Donald R. Young and Wilbert E. Moore, *Trusteeship and the Management of Foundations*, Russell Sage Foundation, New York, 1969, p. 49.

277. Robert W. Hearn, "Foundation Trustees: The Need for Diversity," *Foundation News*, Vol. 15, No. 6, pp. 12-13, November/December 1974.

278. The Commission on Foundations and Private Philanthropy, op. cit., p. 90.

279. Wilbert E. Moore, "Trusteeship: A Combination of Institutional Principles," in Donald R. Young and Wilbert E. Moore, op. cit., p. 19.

280. Ibid., p. 20.

281. Young, op. cit., p. 44.

282. Hearn, op. cit., p. 13.

283. Zurcher, op. cit., p. 35.

284. Young, op. cit., pp. 50-51.

285. Nielsen, op. cit., p. 315.

286. Brim, op. cit., p. 195.

287. The Commission on Foundations and Private Philanthropy, *Foundations, Private Giving, and Public Policy: A Summary of Findings and Recommendations*, The University of Chicago Press, Chicago, 1970, p. 15.

288. Nielsen, op. cit., pp. 330-331.

289. The Commission on Foundations and Private Philanthropy, op. cit., p. 87.

290. Zurcher and Dustan, op. cit., pp. 4 & 7.

291. Ibid., p. 20.

292. The Council on Foundations, Inc., "Report and Recommendations on Private Philanthropic Foundations to the Commission on Private Philanthropy and Public Needs," 1974, pp. III-8-9.

293. Zurcher and Dustan, op. cit., p. 29.

294. Ibid., p. 66.

295. Zurcher, op. cit., p. 79.

296. Nielsen, op. cit., pp. 324-325.

297. Zurcher and Dustan, op. cit., p. 126.

298. Ibid., pp. 126-127.

299. Richard J. Margolis, "White Philanthropy and the Red Man," *Foundation News*, Vol. 14, No. 2, p. 20, March/April 1973.

300. Julian Samora, "Introduction," unpublished paper presented at Conference on Michigan Foundations, Ann Arbor, Michigan, February 21, 1974.

301. "The Association of Black Foundation Executives: A Conversation with Robert W. Hearn," *Grantsmanship Center News*, No. 8, p. 54, October/November 1974.

302. Caryl P. Haskins, "A Foundation Board Looks at Itself," *Foundation News*, Vol. 13, No. 2, p. 13, March/April 1972.

303. "Cummins Engine Foundation Changes Operation," *Foundation News*, Vol. XI, No. 2, p. 59, March/April 1970.

304. "For Foundation Administrators: Council on Foundations adopts Affirmative Action policy with respect to employment," *Foundation News*, Vol. 14, No. 3, p. 2, May/June 1973.

305. "External Affirmative Action," *Ford Foundation Letter*, Vol. 5, No. 4, p. 1, June 15, 1974.

306. "The Association of Black Foundation Executives," loc. cit.

307. Fritz F. Heimann, "Foundations and Government: Perspectives for the Future," in Fritz F. Heimann (ed.), *The Future of Foundations*, op. cit., p. 235.

308. George Crossland, "Viewpoints from Readers: Some New Priorities for Indians," *Foundation News*, Vol. 14, No. 5, p. 12, September/October 1973.

309. Nielsen, op. cit., p. 295.

310. Ibid., pp. 305-307.

311. Richard Magat, "Compliance vs. Information: The 990-AR," *Foundation News*, Vol. 13, No. 1, p. 14, January/February 1972.

312. Ibid., p. 15.

313. *1973 Annual Report*, The Foundation Center, New York, 1974.

314. The Council on Foundations, op. cit., p. B-6.

315. The Commission on Foundations and Private Philanthropy, op. cit. p. 124.

316. Patrick W. Kennedy, "Opinion and Commentary: on communications," *Foundation News*, Vol. 15, No. 3, p. 56, May/June 1974.

317. "Capital Observations: Sen. Hartke sees need for foundations to have 'well-defined purposes and clearly delineated policies'," *Foundation News*, Vol. 15, No. 3, p. 9, May/June 1974.

318. "The Word is Important: VOL. 1, NO. 1," *Foundations of Northern California/A Newsletter*, Vol. 1, No. 1, p. 1, Winter 1974.

319. Norton J. Kiritz, Presentation at the Panel, "What Foundations Can Give Other Than Money," 25th Annual Conference, Council on Foundations, San Antonio, Texas, May 8, 1974, p. 4.

320. Martin A. Paley, "Comment," *The San Francisco Foundation Newsletter*, Fall 1974.

321. Ted H. Townsend, "Criteria Grantors Use In Assessing Proposals," *Foundation News*, Vol. 15, No. 2, p. 37, March/April 1974.

322. The San Francisco Foundation, "Guide to California Foundations," grant request to Rosenberg Foundation, San Francisco, January 15, 1975, p. 1.

323. "Of Special Interest: Tired of Explaining Who You Are and What You Are? Pay Close Attention," *Foundation News*, Vol. 15, No. 6, p. 38, November/December 1974.

324. Nochem S. Winnet, "Small Grants and Some Long Thoughts," *Foundation News*, Vol. 15, No. 6, p. 22, November/December 1974.

325. "Notice," *The San Francisco Foundation Newsletter*, Fall 1974.

326. Brim, op. cit., p. 234.

327. J. Kellum Smith, Jr., "Processing Grant Requests: Role of Trustee, Staff, Outside Consultants," in Henry Sellin (ed.), *Proceedings of the 9th Biennial Conference on Charitable Foundations*, New York University, 1969, p. 54.

328. Julius A. Rippel, "Application Evaluation," in Henry Sellin (ed.), *Proceedings of the 8th Biennial Conference on Charitable Foundations*, New York University, 1967, p. 65.

329. "The Association of Black Foundation Executives," op. cit., p. 20.

330. "A Hard-Hitting Talk by Grace Olivarez," *Council on Foundations: Regional Reporter*, Vol. III, No. 2, p. 7, June 1974.

331. "Women and Power," *Grantsmanship Center News*, No. 7, p. 7, August-September 1974.

332. Margolis, loc. cit.

PHILANTHROPIC FOUNDATIONS OF THE U.S. AND THEIR RESPONSIVENESS TO THE SPECIAL NEEDS, PROBLEMS, AND CONCERNS OF THE HISPANIC COMMUNITY: 1960 THROUGH 1971

The National Council of La Raza[†]

Introduction

Private philanthropy has historically been in the vanguard of change. Whether it be the conquest of yellow fever, the development of the technology to start a "green revolution" in undernourished nations, or dealing with sensitive domestic issues of race and poverty private philanthropy in general and the big foundations in particular have made great contributions.

However, of continued interest and concern to the National Council of La Raza (NCLR) is the apparent unresponsiveness of grant-making charitable foundations to addressing the problems and concerns of the Hispanic community.[1] As a result of this concern, NCLR initiated this exploratory study of philanthropic foundations and their efforts to address the special needs, problems, and concerns of the Hispanic community. The research involved a time-consuming review of the grants listed in the Foundations Center's *Foundation Grants Index* (FGI). The period studied was from September 1960, when the first issue of the FGI was published, through December 1971.

The findings reported here indicate that philanthropic giving to the Hispanic community has been a history of minimal response.

Statement of Purpose

The purpose of this report is to determine the extent and patterns of philanthropic giving to meet the special needs and concerns of the Hispanic community of the United States.

It focuses primarily on philanthropic giving between the years 1960 and 1971. This particular timeframe was selected for several reasons. First of all, the limited amount of resources and the time table for completion of the study precluded a more extensive research design covering a longer period of time and the utilization of other research techniques.

Second, reliable data from which to make accurate generalizations of the extent and patterns of philanthropic giving to Hispanic groups is scarce. Prior to 1960, there was no single source one could go to where foundation grants from all foundations were recorded and updated.[2] This fact necessarily limited the scope of the study.

Finally, this study seeks to complement a somewhat similar but more extensive study released in June 1975 by the Human Resource Corporation (HRC) of California entitled, *U.S. Foundations and Minority Group Interests.* The HRC study, conducted under a grant from the National Science Foundation, represents an exploratory study of philanthropic giving for the benefit of minority groups in general from 1972 through March 1974. The HRC study noted that a study prior to 1972 would be a worthwhile endeavor and a contribution to this area of knowledge. The NCLR study, however, focuses on philanthropic giving for the benefit of Spanish heritage groups, rather than minority groups in general. The HRC recommendation for further study is especially important since it is assumed that the Tax Reform Act of 1969 spurred foundation giving in the area of minority-group interests.[3] An additional catalyst which should have opened the eyes of America's foundations to the minority situation in the U.S. were the racial disorders that exploded in the summer of 1967 in more than a hundred cities.

[†] Raul Yzaguirre, National Director; Cosme J. Barceló, Jr., Director of Research and Analysis.

The NCLR study represents an effort to fill the void of knowledge of the trends of philanthropic giving for the specific benefit of Spanish heritage groups between 1960 and 1971. The findings should give a fair indication of what the extent of giving has been in the past. As a basis for comparison, the report also identifies block grants made for the dual benefit of Spanish heritage and other minorities (Blacks, Asian Americans, Native Americans, and so forth).

I

SURVEY OF LITERATURE

A review of literature reveals a scarcity of research regarding the extent and trends of philanthropic giving and its ameliorative impact on the minorities of the U.S. and the Hispanic community, in particular. Those publications that do make reference to foundation giving to Hispanics and other minority groups generally conclude that these groups have not been receiving a fair share of the philanthropic dollar.

For example, Waldemar A. Nielsen, author of The *Big Foundations*, a study of the 33 largest American foundations, observed:

> In sum, the relationship of big philanthropy to the American race question has been commendable but not glorious. Most of the big foundations have taken a sympathetic but passive interest.[4]

He concluded his observations on big philanthropy and the race question by stating that

> More commitment and change can be expected of them in the future, but in all probability not much more, and not very fast. The race issue in all its complexity and intensity seems to lie largely beyond the outer boundaries of concern, self-confidence, and capability of the big foundations as they are now structured and staffed.[5]

The July-August 1973 issue of The *Chicago Reporter*, a monthly publication on racial issues in metropolitan Chicago, examined five of Chicago's largest, independent (non-corporate) foundations and their funding patterns in relation to minority-controlled institutions (Black and Hispanic). The foundations included in the study were the Chicago Community Trust, The Field Foundation of Illinois, Inc., the W. Clement and Jessie V. Stone Foundation, the Spencer Foundation, and The Wieboldt Foundation (see Table 1).

The study revealed that "By and large, foundation money goes to the tried and true. Chicago's wealthiest foundations – as is true of the nation's – usually support programs of established institutions . . . minority controlled institutions received less than $650,000 of the $15 million the foundations gave in 1972, or less than five percent."[6]

The study also notes a lack of adequate representation of minorities at the professional staff level. No Hispanics were employed at this level by any of the foundations studied.

Table 1

Grants From Chicago's Top Five Foundations, 1972

Foundations[a]	Assets	Grants Total	Grants to Minority Controlled Institutions	Percent of Total	Professional Staff	Minorities	Hispanics[d]	Directors	Minorities
Spencer	$ 83,065,526	$ 1,083,670 (35 grants)	$ 43,769 (1 grant)	4.04	2	0	0	13	1
Community Trust	71,515,610	3,358,388 (119 grants)[c]	162,202 (15 grants)	5.06	4	1	0	7	0
Field	19,910,823	1,268,030 (73 grants)	125,290 (10 grants)	9.88	4	0	0	5	0
Wieboldt	7,066,975	718,000 (57 grants)	168,900 (13 grants)	23.52	2	0	0	10	0
Stone	3,000,000[b]	8,937,714 (136 grants)	127,123 (9 grants)	1.42	7	0	0	17	0
TOTALS	$184,538,934	$15,365,702	$634,244	4.13	19	1	0	52	1

a. All data from annual reports 1972, except Stone's which are 1971 figures, the latest available.
b. An approximate figure from the executive director.
c. Grants less than $1,000 not counted.
d. NCLR estimate.

Source: *The Chicago Reporter*, Vol. 2., No. 7 (July- August 197[illegible]) Chicago, Illinois, p. 3.

Of $15 million in grants from Chicago's top 5 foundations, we can safely assume that less than 1.5 percent went to agencies controlled by Hispanic groups (groups in which board membership is at least 51 percent Hispanic). According to the U.S. Bureau of the Census, 7.4 percent of the population of Chicago is of Spanish Heritage.[7] The inference is that Hispanic-controlled agencies were not being funded in proportion to their representation in the community studied.

The editors of the *Chicago Reporter* made a worthwhile observation when they noted that the question of grants to minority-controlled institutions is vital even though the foundations do give money to programs that are not minority controlled but are of unquestionable benefit to minority neighborhoods.

Sarah C. Carey's report to the Commission on Private Philanthropy and Public Needs, "Philanthropy and the Powerless," included in the definition of the powerless, the racial and cultural minorities of the United States. Although Carey admits that the conclusions in the report are "impressionistic" and "cannot be broken down into statistical or even roughly quantifiable analysis," many of the general observations and conclusions of the report warrent notation. For example, the report stated that "Regardless of how the pie is sliced, there is no question that grants made directly for social change or to assist the powerless are dwarfed by the massive philanthropic contributions made annually in support of education, the arts, health services and the like."[8] "The overwhelming impression . . . is that those who comprise the powerless segment of society receive only . . . the bread crumbs from the table of philanthropy."[9]

George Kirstein in his book, ***Better Giving: The New Needs of American Philanthropy***, surveys the whole charity field in the United States and offers his views as to the direction philanthropy should take in the future. The introductory paragraph of the chapter on "Racial Minorities - The Struggle for Equality" is worth citing since it provides a good overview of the problem as it relates to Hispanic and other minority groups.

> Since the mid-nineteenth century when antislavery citizens organized to abolish human bondage, philanthropic groups have formed and multiplied to aid in the solution of the nearly insolvable problems of racial minorities. The major effort has always been focused on the relationship between blacks and the white majority, but voluntary groups have countered discrimination against other minorities, including Jews, Indians, Puerto Ricans and Mexican, Japanese and Chinese Americans. Although some of these organizations have existed for decades, the problems they were formed to combat have not disappeared; indeed, dispite some progress, major racial tension has become more acute rather than less with the passage of time. Paradoxically, the very progress which has been achieved so painstakingly at such cost of money and energy has heightened the intensity of the problem by raising hopes, always unfulfilled of equal justice and an end to discrimination. Only the Jews, who are relatively difficult to distinguish physically from the majority, have made what could be considered satisfactory progress in combating discrimination, and even in their case the struggle is by no means ended.[10]

In his somewhat sketchy discussion of the Mexican-American and Puerto Rican groups, Mr. Kirstein observes that because both groups have virtually no economic middle class, Chicano-and Puerto Rican-supported philanthropy is scant. Kirstein concludes that

> The economic, educational and social problems facing all the minority groups are far too massive to be more than slightly mitigated, let alone solved, by philanthropy. Even government, with its vast powers and huge expenditures, seems unable to do much beyond assuring survival at minimum levels of housing, health care, and education. Only the naive believe that all human dilemmas are solvable. Unfortunately, some problems are so huge that they do not disappear; somehow men just learn to live with them. The apathetic acceptance by the overwhelming majority of the plight of these minority groups, assures that the present problems will long be with us.[11]

In his book published in 1971, *The Money Givers*, Joseph C. Goulden provides some interesting insights as to how some of the bigger foundations responded to the call for assistance from the Hispanic community, and the Chicano community, in particular, during the mid-1960s.[12] He traces the development of some of the larger foundation-funded Chicano organizations, such as the National Council of La Raza (formerly known as the Southwest Council of La Raza) and its affiliates and the Mexican American Legal Defense and Educational Fund (MALDEF). However, he makes hardly any mention of philanthropic giving to other Hispanic-controlled organizations or groups and offers little in the form of statistics depicting the overall extent and patterns of giving for the benefit of the Hispanic community. He does note that foundations, especially after the passage of the 1969 Tax Reform Act, became a bit more cautious in funding the more vocal "social change" or "activist" Hispanic-controlled organizations, especially if they devoted a considerable amount of time and resources to local minority voter registration drives and/or community organizing activities.[13]

In June 1975, the Human Resources Corporation (HRC) completed its NSF-sponsored study, *U.S. Foundations and Minority Group Interests*. The final report indicates deficiencies in the responsiveness of foundations to minority interests—in their generally passive receptivity to calls to action and in the allocation of foundation resources relevant to the Spanish-speaking and other minority groups. Severe limitations were also noted in obtaining data concerning foundations' policy-making procedures, representativeness of boards and staffs, and resource allocation patterns to the Spanish-speaking and other minorities.

According to the HRC report, the total number of grants reported for the benefit of Spanish heritage groups in the years 1972 through March 1974 was 217, from 73 foundations, with a total dollar value of $11,557,490. This figure, the report noted, represents 0.8 percent of the total value of foundation grants in 1972 and 1973.

Following are some of the other findings of the HRC study:[14]

1. The average grant received to benefit Spanish heritage minorities was $43,260 as compared to an overall average for all groups in the combined 2 years of $85,588—or equivalent to a ratio of 3 to 5.

2. Eighty-five grants, or 39 percent of the total number, were allocated to minority recipient agencies—those organizations actually controlled by minorities.

3. Fifty-five percent of the total number of 119 grants were allocated to various types of broker agencies not controlled by minorities.

4. Minority recipient agencies received 44 percent of the total dollar value awarded to Spanish-heritage beneficiaries, while non-minority agencies received 53 percent of the total.

5. Fifty-four foundations awarded grants to non-minority agencies and 37 to minority agencies. Chicano minority recipient agencies received funds from 15 foundations, Puerto Rican recipient groups from 25, Spanish-speaking groups from 4, and mixed groups from 3.

6. Of the total amount of monies given to benefit Spanish-heritage populations, The Ford Foundation gave $15,586,844 or 48 percent. Furthermore, it gave $3,045,000 or 50 percent of all funds to minority-controlled agencies, and $2,541,844 or 42 percent of all funds to non-minority controlled agencies.

7. The second largest contributor to Spanish heritage minority beneficiaries was the Carnegie Corporation of New York. It awarded 11 percent of the total grant monies to benefit Spanish-heritage populations. Furthermore, it gave 16 percent of the total given to minority-controlled agencies and 8 percent of the total to non-minority controlled agencies. It was likewise the second largest grantor to Chicano and Puerto Rican groups.

8. If the national funds are excluded in calculating the ratios between regions, of the regional total of $7,953,290 given to benefit Spanish-heritage populations, the West received 24 percent of the funds, the South 34 percent, the Northeast 39 percent, and the North Central region 4 percent.

9. The five Southwestern States of Arizona, California, Colorado, New Mexico and Texas account for approximately 50 percent of the U.S. Spanish heritage population. However, the HRC study discovered that the grants awarded to these states amounted to $3,772,243 and represented approximately 33 percent of the total funds and 47 percent of all non-national funds to Spanish-heritage beneficiaries.

10. The Ford Foundation accounted for 100 percent of all non-national grants to Arizona, 80 percent to California, 45 percent to New Mexico, and 34 percent to Texas, for an overall rate of 56 percent.

11. The National Council of La Raza, Aspira, and the Mexican American Legal Defense and Educational Fund received nearly 75 percent of all funds for Spanish heritage minority groups.

12. Of the category of organizations receiving more than 4 grants, the 3 affiliated groups above account for 75 percent of all grants.

13. According to U.S. Census figures, 13 percent of the total Spanish origin population in the U.S. is located in the Northeast. Yet, 27 percent of the funds allocated to Spanish heritage populations from foundations goes to the Northeast.

14. While 31 percent of the Spanish-origin population is located in the South (which includes Texas) only 23 percent of foundation funds to the Spanish-heritage population is contributed to the South.

15. While 47 percent of the Spanish-origin population resides in the West, only 16 percent of the total funds were allocated to this region.

16. As a basis of comparison, grants relating to international Spanish speaking populations and area studies of the same non-domestic populations represented 5 percent of all foundation grants ($59,952,407) or 5 times the amount awarded to domestic Spanish heritage population.

The findings of the HRC study have already generated interest among foundations and donees. The Commission on Private Philanthropy and Public Needs reproduced and disseminated the draft report to its members on its own initiative. In addition, HRC has received numerous requests from many organizations, including the Foundation Center, to share their research findings.

In addition, HRC convened a conference in October 1976 to foster debate of the study's findings. It provided a forum for segments of the foundation community, donee organizations, government agencies, minority groups, and related agencies to participate in constructive policy changes within and among foundations. Attention focused on alternative and multidimensional approaches to institutional change, based in part upon the report's recommendations. Additionally, consideration was given to the structural ramifications of voluntaristic, programmatic, and/or legalistic avenues for bringing about greater institutional responsiveness to concerns of the Spanish-heritage population and other minorities.

Given the scarcity of systematically gathered and organized information on the responsiveness of foundations to the needs of ethnic minorities, the HRC study is considered a most significant contribution. All other publications dealing with the subject seem to take a case-study approach which does not provide an overall picture of foundation giving as it particularly relates to the Hispanic community. As stated earlier, even the HRC study is limited in that it does not document the extent and patterns of philanthropic giving prior to 1970.

II

DEMOGRAPHIC, SOCIAL, AND ECONOMIC CHARACTERISTICS OF THE SPANISH-ORIGIN POPULATION OF THE UNITED STATES

One of the major problems in trying to document the demographic, social, and economic characteristics of the Spanish-speaking population is that there is considerable doubt about the reliability of available data. In the 1970 census, for example, the Bureau of the Census undercounted the Spanish-origin population by 1.5 million.[15] Although the Bureau of the Census is the best source of information available on the Spanish-origin population, the user of this information should be aware of its limitations.

According to the most recent Current Population Report (CPR), issued August 1975 by the Bureau of the Census, persons of Spanish origin account for an estimated 11.2 million, or 5.3 percent, of the total U.S. population. (In 1974 the Bureau reported the Spanish-origin population at about 10.8 million.) In other words, about 1 in every 20 U.S. citizens is of Spanish origin.[16]

The 1975 Census estimates are based on results of a March 1975 nationwide survey in which people were asked their origin or descent. Most of the Spanish-origin population surveyed were of Mexican origin (about 6.7 million or 60 percent). Persons of Puerto Rican origin comprised about 15 percent of the total; Cuban, 7 percent; Central or South American, 6 percent; and the remainder, nearly 13 percent, other Spanish origin (Table 2).

Table 2

Total and Spanish-Origin Population By Type of Spanish Origin, For The United States, March 1975

(in thousands)

Origin	Total	Percent Distribution	
		Total Population	Spanish-Origin Population
All Persons	209,572	100.0	(x)
Persons of Spanish origin	11,202	5.3	100.0
Mexican	6,690	3.2	59.7
Puerto Rican	1,671	0.8	14.9
Cuban	743	0.4	6.6
Central or South American	671	0.3	6.0
Other Spanish	1,428	0.7	12.7
Persons not of Spanish origin[a]	198,369	94.7	(x)

a. Includes persons who did not know or did not report on origin.
x. Not applicable.

Source: U.S. Bureau of the Census, *Current Population Reports*, Series P-20, No. 283, "Persons of Spanish Origin in the United States: March 1975" (Washington, D.C.: U.S. Government Printing Office, 1975), p. 5.

Residence. According to 1973 CPS census figures, most of the Spanish-origin families living in the United States live in metropolitan areas. "In March 1973, there were 2.3 million Spanish origin families, and over 1.9 million of these families, 83 percent, lived in metropolitan areas."[17]

Age Distribution. The population of Spanish origin is young, the median age being 20.7 years compared with 28.6 years for the total U.S. population in 1975. Only about 4 percent of all persons of Spanish origin were 65 years old and over in March 1975, compared with 10 percent for the total population.[18]

Family Income. In general, family income was lower for Spanish origin families than for all families in the United States. Specifically, "median income of families with head of Spanish origin was $9,600, as compared with $12,800 for all families."[19] Also, "the proportion of Spanish origin families with incomes under $4,000 was 9 percent."[20] Thus, the Spanish-origin population continues to be disproportionately overrepresented in the under $4,000 family income category.

There were about 2.6 million persons of Spanish origin in 1974 below the low-income level, or about 1 out of every 4 persons of Spanish origin. Described another way, approximately 25 percent of the Spanish-origin population was not earning enough income in 1975 to lift them out of the Census Bureau's "low-income" category (see Table 3).

Table 3
Low-Income Status in 1974 of All Persons and Persons of Spanish Origin By Type of Spanish Origin, For The United States, March 1975
(in thousands)

Origin	Total Population	Below The Low-Income Level	
		Number	Percent
All persons[a]	209,343	24,260	11.6%
Persons of Spanish origin	11,202	2,601	23.2
Mexican	6,690	1,626	24.3
Puerto Rican	1,671	545	32.6
Cuban	743	106	14.3
Central or South American	671	95	14.2
Other Spanish	1,428	228	16.0
Persons not of Spanish Origin[b]	198,141	21,659	10.9

a. Excludes unrelated individuals under 14 years of age.
b. Includes persons who did not know or did not report on origin.

Source: U.S. Bureau of the Census, *Current Population Reports,* Series P-20, No. 283, "Persons of Spanish Origin in the United States: March 1975" (Washington, D.C.: U.S. Government Printing Office, 1975), p.8

Education. In March 1975, only 38 percent of the total Spanish origin population had at least completed 4 years of high school. This compares with a total of 63 percent for all of the U.S. population. There was a noticeable difference within the Spanish-origin subcategories. For example, while 52 percent of the Cuban population had completed at least 4 years of high school, 31 percent of the Mexican and only 29 percent of the Puerto Rican Spanish-origin population had completed this level of education.

While the percentage of persons who completed less than 5 years of school was 3.3 percent for the total population, it was 18.5 percent for the Spanish-origin population (see Table 4).

Some other interesting observations about the educational characteristics of the Spanish-origin population should be noted. According to 1973 census data, "compared with the median number of 12.0 school years completed for whites, the median was 8.1 for Mexican Americans and 8.6 for Puerto Ricans. . . "[21] In 1971, the U.S. Commission on Civil Rights completed a study entitled, *The Unfinished Education,* which stated that "40 percent of the Mexican-Americans who enter first grade never complete high school."[22] "In the Southwestern states, 40 percent of Mexican-American students are reading two or more years below grade level at the 8th and 12th grades."[23]

Employment. The Spanish-origin population still suffers higher underemployment and unemployment rates than the total population. Also, they tend to be employed in the lower paying, nonprofessional, nontechnical fields. For example, in March 1975 there were about 2.2 million men of Spanish origin 16 years of age and over in the United States, but only 9.5 percent of these men were working in professional and technical fields as compared with 15.1 percent for all employed men in this age group in the United States (see Table 5).

While 7 percent of the total population have occupations as laborers, 12.1 percent of the Spanish-origin population fall into this category. For Mexican-Americans, it was somewhat higher at 14.2 percent, but a bit lower for Puerto Ricans at 9.2 percent. Among employed men of Spanish origin, those of Mexican origin had the highest proportion, 7.7 percent, employed as farmworkers (compared with only 1.6 percent for the total population). (See Table 5.)

Unemployment. According to the Department of Labor, the unemployment rate for workers of Spanish origin was 12.9 percent in the second quarter of 1975, (this

Table 4

Percent of Persons Who Completed Less Than 5 Years of School and Percent Who Completed 4 Years of High School or More, For All Persons and Persons of Spanish Origin 25 Years Old and Over By Type of Spanish Origin, For The United States, March 1975

Years of School Completed and Age	Total Population	Spanish Origin				
		Total	Mexican	Puerto Rican	Cuban	Other Spanish[a]
PERCENT WHO COMPLETED LESS THAN 5 YEARS						
Total 25 years & over	3.3	18.5	24.6	17.4	7.3	7.6
25 to 29 years	1.0	7.7	9.8	8.2	(b)	1.0
30 to 34 years	1.0	9.3	11.8	10.1	(b)	4.3
35 to 44 years	1.9	15.9	22.1	13.7	3.1	5.8
45 to 54 years	2.5	22.5	30.2	29.1	6.6	6.6
55 to 64 years	3.5	26.5	35.7	(b)	12.3	12.6
65 years and over	11.0	45.7	63.8	(b)	(b)	24.0
PERCENT WHO COMPLETED 4 YEARS OF HIGH SCHOOL OR MORE						
Total 25 years & over	62.6	37.9	31.0	28.7	51.7	58.0
25 to 29 years	83.2	51.6	46.1	37.7	(b)	77.2
30 to 34 years	78.6	45.5	42.3	27.9	(b)	64.7
35 to 44 years	71.5	40.6	32.2	32.9	56.4	63.5
45 to 5[illegible] years	63.8	34.1	24.6	20.1	53.8	57.8
55 to 64 years	51.9	24.0	15.4	(b)	44.7	33.7
65 years and over	35.2	14.6	3.6	(b)	(b)	31.0

a. Includes Central or South American and other Spanish origin.
b. Base less than 75,000.

Source: U.S. Bureau of the Census, *Current Population Reports*, Series P20, No. 283, "Persons of Spanish Origin in the United States; March 1975" (Washington, D.C.: U.S. Government Printing Office, 1975), p. 6.

Table 5

Income in 1974 of Persons of Spanish Origin 14 Years Old and Over By Sex and Type of Spanish Origin, For The United States, March 1975

Income	Total Spanish Origin		Mexican Origin		Puerto Rican Origin		Other Spanish[a] Origin	
	Male	Female	Male	Female	Male	Female	Male	Female
Total persons, 14 years old and over (in thousands)	3,520	3,744	2,115	2,133	463	590	942	1,021
Persons with income (in thousands)	3,030	2,341	1,847	1,290	365	363	818	688
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
$1 to $999 or less	9.2	18.7	9.9	22.4	7.4	9.4	8.7	16.4
$1,000 to $1,999	7.1	16.5	7.1	17.4	7.1	12.9	6.8	16.6
$2,000 to $2,999	7.4	14.0	7.9	14.9	5.8	14.0	7.1	12.4
$3,000 to $3,999	7.6	11.9	8.0	12.1	5.8	15.2	7.6	9.9
$4,000 to $4,999	7.2	11.0	7.9	9.1	7.4	16.3	5.5	11.8
$5,000 to $6,999	15.2	15.1	16.0	13.9	15.9	18.5	13.1	15.7
$7,000 to $7,999	7.6	4.2	7.0	3.7	12.3	3.9	6.8	5.4
$8,000 to $9,999	12.0	4.9	11.7	4.3	14.0	5.5	11.6	5.7
$10,000 to $14,999	18.3	3.1	17.8	1.9	18.1	3.6	19.7	4.9
$15,000 to $24,999	7.0	0.6	6.0	0.3	4.7	0.8	10.3	1.2
$25,000 and over	1.4	0.1	0.8	-	1.4	-	2.7	0.3
Median income of persons with income	$6,507	$3,072	$6,154	$2,682	$7,055	$3,889	$7,158	$3,469

a. Includes Cuban, Central or South American, and other Spanish Origin.
- Represents zero or rounds to zero.

Source: U.S. Bureau of the Census, *Current Population Reports*, Series P-20, No. 283, "Persons of Spanish Origin in the United States: March 1975" (Washington, D.C.: 1975, U.S. Government Printing Office), p. 7.

data is not seasonably adjusted) up 5.2 percent from the second quarter of 1974. The jobless rate for whites as of July 1975 was 8 percent. While the Spanish-origin labor force averaged more than 4 million persons in the second quarter of 1975, it had a 60.8 percent participation rate which was below the percentage of all workers. Furthermore, whereas the 1975 employment participation rate for whites rose over the 1974 rate, that for the Spanish-origin population dropped considerably.[24]

For purposes of this report, we note the distribution of the Spanish-origin population of the United States by geographic region as defined by the U.S. Bureau of the Census: 47 percent of the total Spanish-origin population is located in the West, 31 percent in the South (which includes Texas), 13 percent in the Northeast, and approximately 3 percent in the North Central region.[25]

III

RESEARCH METHODOLOGY

To determine trends in philanthropic giving to the Spanish-speaking community since 1960, the NCLR consulted the Foundation Grants Index, published by the Foundation Center. The center first began publishing its listing of foundation grants in the September 1960 issue of *Foundation News*. The Foundation Grants Index lists only those grants for which the center receives information from the donor foundations, press releases, annual reports, or other primary sources. The early publications of the index listed only grants of $10,000 or more, and renewal grants were generally not included. Also, all grants were listed under the major categories of humanities, government, international activities, education, scientific research, religion, health, or social welfare. Information on grants made in each of the major fields was published only twice a year. More recently, the center has improved its data-collection techniques. In 1973, for example, it started recording foundation grants of $5,000 or more and initiated a new reporting procedure by which information is cross referenced, enabling the user to identify the specific subject matter of the grants in which he is interested. These reporting procedures were not in effect for the time period covered by this study, however.

Since the computer file of the Foundation Center was not set up until 1973, a manual search of the Foundation Grants Index was required in order to retrieve the necessary data and information for this report. (Sixty-seven issues of the index from 1960 through the November/December issue of 1971, were reviewed.) Many hours were logged at the Foundation Center's Washington, D.C. office by the two persons responsible for collecting the data, both of which are of Mexican-American descent and have a good background in the socioeconomic and political characteristics of the Hispanic community and have been involved with the Hispanic civil rights movement through membership, participation, and/or employment in various Hispanic organizations. A Foundation Grants Index raw data sheet was developed for the systematic collection and recording of data.

Definitions

Hispanic Minority Groups. Five main categories were used to classify Hispanic minority groups:

1. Chicano: Mexican-Americans.

2. Puerto Rican: Those of Puerto Rican ancestry living in the United States. This excludes Puerto Ricans living in mainland Puerto Rico.

3. Cuban: Those persons of Cuban ancestry residing in the United States including recent arrivals, i.e. Cuban refugees.

4. Central Americans: Those persons of other countries considered to be Spanish-speaking countries in Central and South America.

5. Spanish-speaking: Two or more of the above or other identifiers such as Hispanic groups, persons of Spanish origin. In many cases, grants were listed as simply going to "Spanish-speaking" beneficiaries and thus fell into this category.

Mixed Minority Groups. Hispanic minority groups in addition to and/or including one or more other minority groups such as Blacks, Asian Americans, or American Indians. This definition necessarily excluded grants that were not specifically given for the benefit of one or more minority groups. Therefore, grants that were identified as for the benefit of persons of disadvantaged backgrounds, the poor, or farmworkers were not included in the definition.

Geographic Regions. The four major regions of the United States for which data are presented in this report are essentially the same as those defined by the U.S. Bureau of the Census:

1. National: All four regions.

2. West: Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming, Alaska, and Hawaii.

3. Northeast: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.

4. North: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

5. South: Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia.

Utilizing the above definitions, the FGI grant information was recorded on the raw data sheet for future evaluation. After the information was collected, the raw data sheets were reviewed twice to insure the grants were properly recorded and categorized.

IV

FINDINGS

The data collected indicates no significant amount of foundation funds specifically allocated for the benefit of the Hispanic community until the first part of 1963. In fact, only one such grant was recorded in the Foundation Grants Index prior to that time: a $40,000 grant from the Mary Duke Biddle Foundation to Puerto Rican Social Services, Inc., of New York, recorded in the July 1962 issue of the index.[26]

In 1963 a total of $383,000 was specifically earmarked by three major foundations for the benefit of the Hispanic community. Of that total, $368,000 went to programs to benefit the Cuban refugees. (The Ford Foundation allocated $278,000, the Rockefeller Brothers Fund $90,000, and the Lily Endowment of Indiana $15,000 to programs benefiting Cuban refugees.)

With respect to the Chicano community, no foundation grants benefiting this group were found in the FGI prior to March 1964.[27] The first grant that could be classified as being for the specific benefit of the Chicano community was made by the Rosenberg Foundation of California, which made a $33,876 grant to the Community Council of Central Santa Clara County of California for a Mexican-American community services project. Only three other grants in 1964 could be categorized as specifically benefiting the Chicano community; these had a total dollar value of $503,376. One was made by the Rosenberg Foundation for an additional $33,376 to the Community Council of Central Santa Clara for the purpose of developing Mexican-American community group consciousness. Another was made by the Charles E. Merrill Trust of New York in the amount of $20,000 to the National Catholic Rural Life Conference of New York to aid Mexican-American farm workers. The third and largest grant identified was made by The Ford Foundation in the amount of $450,000 to the University of California at Los Angeles to study the social, economic, and political status of Mexican-Americans of the Southwest.[28]

According to grants recorded in the FGI, 1964 would appear to be the year when foundations began to become more responsive to the special needs and concerns of the Hispanic community.

The total amount of grants made by foundations in that year was $556 million (see Table 6). Of this amount, $756,752 was identified as being specifically earmarked for purposes benefiting the hispanic community. This represents .001 percent of the total philanthropic dollars for 1964.

One must keep in mind that the listings of foundation grants were first published by the Foundation Center in September 1960 and that some foundations may not have gotten into the routine of filing grants with the Foundation Center until approximately this time. Also, the larger foundations may be overrepresented since they tend to report grants to the center more regularly than the small foundations. Additionally, since foundations are not required by law to file a listing of their grants with the center, some grants may have been missed. The amount of these grants is assumed to be negligible, however.

Table 6 provides a ten-year (1962-1971) grants index of the total dollar value of grant awards by all foundations by field. A total of some $6.4 billion was awarded by philanthropic foundations to programs in the various fields. The largest single

Table 6

Ten-Year Grants Index Table
(in millions of dollars)

	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	Total	Percent
Education	$147	$ 81	$186	$164	$157	$191	$308	$202	$281	$343	$2,060	33%
Health	32	35	129	103	62	81	77	106	121	156	902	14
International	52	82	74	128	141	84	93	75	59	106	894	14
Welfare	20	24	44	104	81	82	74	102	136	174	841	13
Sciences	45	47	58	60	69	78	106	114	93	111	781	12
Humanities	16	48	39	39	117	39	72	37	52	103	562	9
Religion	3	5	26	51	34	24	23	41	51	73	333	5
Total	$315	$324	$556	$649	$661	$579	$753	$677	$793	$1,066	$6,373	100%

Source: *Foundation News*, Volume 13, No. 1, (January, February, 1972), Council on Foundations, Inc., p. 4.

percentage (33 percent) went to education. According to the findings of this study, from 1962 to 1971 a total of 141 grants from 47 foundations were made to programs benefiting domestic Spanish-heritage populations of the United States. These grants represented a total dollar value of $23,887,377, or .0037 percent of all philanthropic dollars from reporting foundations.

The reader is cautioned that these data do not include grants to programs benefiting migratory and seasonal farmworkers unless the grant specifically noted that the award was for the benefit of a specific Hispanic group within the migratory and seasonal agricultural labor community.

Table 7 depicts the total dollar value of grants (1960-1971) to programs benefiting domestic Spanish heritage populations according to ethnicity of beneficiaries and ethnicity of recipient agencies. Of the 141 grants identified as for the benefit of Spanish-heritage populations, 61, or 43 percent, were made to Hispanic minority recipient agencies (those organizations actually controlled by Hispanic). A total of 68 grants, representing 48 percent of the total number of grants, were made to non-minority controlled recipient agencies. The remaining grant awards went to agencies whose ethnicity was unknown. The median grant received by Hispanic-controlled agencies was $130,020, in comparison with an average of $224,947 for non-minority agencies.

Chart 1 illustrates the distribution of the total percentage of philanthropic dollars to programs benefiting domestic Spanish heritage populations according to ethnicity of recipient agencies, from 1960 through 1971. Of the total $23,887,377 in grant awards to programs benefiting Hispanic Americans, 32 percent was awarded to Hispanic-controlled recipient agencies, as oppossed to 64 percent awarded to non-minority recipient agencies. Approximately 3 percent was awarded to agencies whose ethnicity was unknown.

Referring back to Table 7, a total of $7,287,444, or 30 percent of all grant awards, went to Chicano beneficiaries. Puerto Rican beneficiaries received $2,151,557, or 9 percent. Cuban beneficiaries received $635,000, or 3 percent, and $414,373, or approximately 2 percent of the total, went to Spanish-speaking beneficiaries. The dollar value of grants going to programs with mixed beneficiaries was $13,399,003, representing 56 percent of all grant funds to programs benefiting the Hispanic community.

Table 7 also shows that of the total $7,931,229 awarded to Hispanic recipient agencies, Chicano recipient agencies received $5,563,711, or 70 percent; Puerto Rican recipient agencies $2,000,535, or 25 percent; Cuban recipient agencies $200,000, or 3 percent. Spanish-speaking agencies were awarded $145,000, or

Table 7

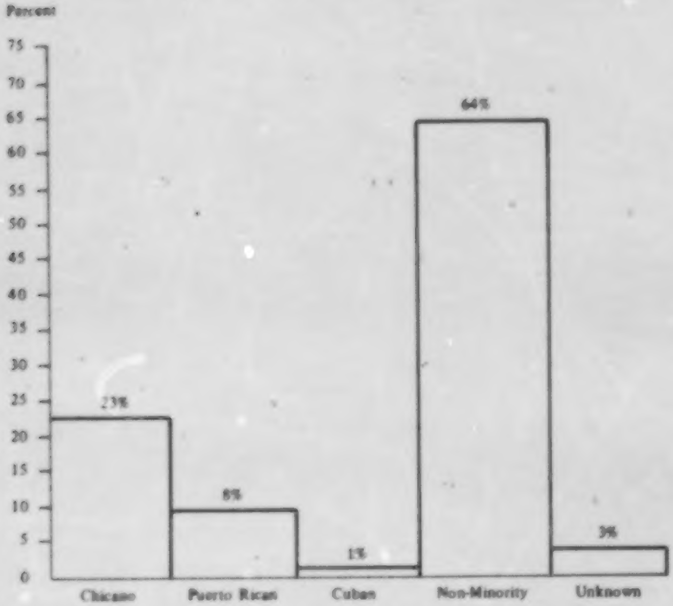
Dollar Value of Grants To Programs Benefiting Domestic Spanish Heritage Populations, According to Ethnicity of Beneficiaries and Ethnicity of Recipient Agencies, 1960 Through 1971[a]

		Ethnicity of Minority Recipient Agencies							
Ethnicity of Beneficiaries	Total, All Grants	Subtotal, Minority Agencies	Chicano	Cuban	Puerto Rican	Spanish-Speaking	Mixed, Other	Non-Minority Agencies	Agency Ethnicity Unknown
Total	$23,887,377	$7,931,229	$5,563,711	$200,000	$2,000,535	$166,983	$21,983	$15,296,428	$659,720
Chicano	7,287,444	5,563,711	5,563,711					1,703,903	19,830
Cuban	635,000	200,000		200,000				415,000	20,000
Puerto Rican	2,151,557	2,000,535			2,000,535			52,382	98,640
Spanish Speaking	414,373	145,000				145,000	21,983	213,890	33,500
Mixed	13,399,003							12,911,253	487,750

a. Excludes grants to programs benefiting migratory and/or seasonal farmworkers.

Chart 1

Distribution of Total Grant Funds To Programs Benefiting Domestic Spanish Heritage Populations According to Ethnicity of Recipient Agency, 1960 Through 1971[a]



a. Percentages do not add to 100 percent because of rounding.

approximately 2 percent of the total, while grants to mixed and other types of Hispanic recipient agencies amounted to $21,983. Chicano and Puerto Rican controlled agencies together accounted for $7,564,246, or 95 percent, of the total amount of dollars awarded to Hispanic recipient agencies.

As previously mentioned, there 47 foundations that awarded grants to programs benefiting the Spanish-heritage population. It is interesting to note that the total number of grant awards to Chicano recipient agencies (18) came from 6 foundations. Puerto Rican recipient agencies received a total of 36 grants from 18 foundations, indicating a more diversified funding base. However, grants to Puerto Rican recipient agencies tended to be smaller in dollar value than those to Chicano recipient agencies.

According to Table 8 the Ford and Rockefeller Foundations were the two largest contributors to programs benefiting Spanish-heritage populations, accounting for almost three quarters of all such grants. Ford contributed a total of $12,252,631, or 51 percent of the total dollar value of grant awards; Rockefeller contributed $5,145,500, or 22 percent. However, approximately 97 percent of the Rockefeller awards went to mixed beneficiaries.

The Ford Foundation was the largest contributor to Puerto Rican recipient agencies, accounting for $650,000, or 32 percent, of all foundation grants made to these agencies. It also was the largest contributor to Chicano recipient agencies, dispersing $5,102,595, or 91 percent, of the total dollar value of all grant awards to these agencies.

Table 9

Number, Rank, and Dollar Value of Grants To Programs Benefiting Spanish-Heritage Populations According to Spanish Heritage or Mixed Beneficiaries By Reporting Foundations: 1960 Through 1971*

	Total			Subtotal: Spanish Heritage Beneficiaries			Subtotal: Mixed Beneficiaries		
Foundation	Dollar Value	Number	Rank Combined Grants	Dollar Value	Number	Rank	Dollar Value	Number	Rank
American Can Co. Foundation, N.Y.	$20,000	1		$20,000	1				
Astor Foundation, N.Y.	80,000	3		80,000	3	11			
Biddle (Mary Duke) Foundation	50,000	2		50,000	2	14			
Bodman Foundation	10,000	1		10,000	1				
Carnegie Corporation, N.Y.	711,535	8	5	453,535	4	2	$258,000	4	7
Charities Foundation, Ohio	20,000			20,000	1				
Chicago Community Trust, Ill.	20,000	1		20,000	1				
Cleveland Foundation, Ohio	118,964	1	14	118,964	1	7			
Donner (William) Foundation	60,000	1					60,000	1	9
Fels (Samuel S.) Fund, Pa.	10,000	1		10,000	1				
Field Foundation, N.Y.	135,000	4	13	135,000	4	6			
Ford Foundation, N.Y.	12,252,631	60	1	8,567,640	22	1	3,684,991	18	2
Foundations' Fund for Research in Psychiatry, Conn.	16,559	1		16,554					
Hartford Foundation for Public Giving, Conn.	154,015	2	9	78,640	1	12	75,375	1	8
Hancock (Luke B.) Foundation, Nev.	14,000	1					14,000	1	
Haas (Otto) Trust, No. 1, Pa.	15,000	1		15,000	1				
Hayden Foundation, N.Y.	20,000	1		20,000	1				
Heller (Walter E.) Foundation, Ill.	2,000,000	1	3				2,000,000	1	3
Great Western United Foundation, Colo.	30,000	2		30,000	2				
Gulf and Western Foundation, N.Y.	20,000	2		20,000	2				
Klingenstein Fund	20,000	1		20,000	1				
Kaiser (George F.) Foundation	21,000	1					21,000	1	
Lewis Foundation, N.Y.	10,000	1		10,000	1				
Lilly Endowment, Ind.	15,000	1		15,000	1				
Merck Co. Foundation, N.Y.	100,000	1		100,000	1				
Macy (Josiah, Jr.) Foundation, N.Y.	367,000	3	6				367,000	3	5
Merrill (Charles E.) Trust	67,500	1		42,500	2		25,000	1	
Moody Foundation, Tex.	146,500	2	10	100,000	1		46,500	1	10
National Biscuit Co. Foundation, N.Y.	10,000	1		10,000	1				
National Steel Charitable Trust, Pa.	10,000	1		10,000	1				
New York Community Trust, N.Y.	25,000	1		25,000	1				
New York Foundation, N.Y.	105,000	7	15	105,000	7	10			
Permanent Charity Fund, Mass.	25,000	1		25,000	1				
Rockefeller Brothers Fund, N.Y.	145,000	4	11	145,000	4	4			
Rockefeller Foundation, N.Y.	5,145,500	10	2	108,500	3	8	5,037,000	7	1
Rosenberg Foundation, Calif.	141,891	6	12	141,891	6	5			
Rosemary Foundation	25,000	1					25,000	1	
San Francisco Foundation, Calif.	53,000	3		53,000	3	13			
Sloan (Alfred P.) Foundation, N.Y.	1,107,060	3	4	107,060	2	9	1,000,000	1	4
Spencer Foundation, Ill.	292,000	1	7				292,000	1	6
Taconic Foundation, N.Y.	35,000	2		35,000	2				
Tinker Foundation	162,000	2	8	162,000	2	3			
Turrell Fund, N.J.	15,000	1		15,000	1				
Union Benevolent Association, Pa.	12,175	1		12,175	1				
Victoria Foundation Central Trust	10,000	1		10,000	1				
Wallace (DeWitt) Fund, N.Y.	25,000	1		25,000	1				
Zale Foundation, Tex.	49,000	1		49,000	1				

*Excludes grants to programs benefiting migratory and/or seasonal farmworkers

The Carnegie Corporation was found to be the second largest donor to both Puerto Rican and Chicano recipient agencies. It accounted for $253,000, or 13 percent, of all grants to Puerto Rican agencies and $100,000, or about 2 percent, of all grant awards to Chicano agencies.

Table 9 identifies the top 10 foundation contributors to Spanish-heritage beneficiaries according to dollar value of total grant awards. The Ford Foundation was the highest contributor with a total of $8,567,648 in grant awards, and the New York Foundation ranked tenth with a total of $105,000 in grant awards.

Table 9

Top Ten Foundation Contributors To Spanish-Heritage Beneficiaries, 1960 Through 1971

	Total		Ethnicity of Beneficiaries			
Foundation	Dollar Value	Number of Grants	Chicano	Cuban	Puerto Rican	Spanish-Speaking
Total	$10,034,602	59	$7,203,964	$515,000	$1,906,143	$409,495
Ford Foundation, N.Y.	8,567,648	22	6,699,995	378,000	1,287,608	202,045
Carnegie Corporation, N.Y.	453,535	4	200,000		253,535	
Tinker Foundation	162,000	2	150,000	12,000		
Rockefeller Brothers Fund	145,000	9		90,000	55,000	
Rosenberg Foundation, California	141,891	6	128,969			12,922
Field Foundation, N.Y.	135,000	4	25,000		110,000	
Cleveland Foundation, Ohio	108,968	1				108,968
Rockefeller Foundation, N.Y.	108,500	2			95,000	13,500
Sloan (Alfred P.) Foundation, N.Y.	107,060	2		35,000		72,060
New York Foundation	105,000	7			105,000	

Chart 2 depicts the frequency of grant awards among the 47 individual foundations contributing to Spanish-heritage beneficiary programs. A total of 36 foundations made from 1 to 2 grants to programs benefiting Hispanic-heritage populations. Five foundations made from 3 - 4 grants; 1 made from 5 - 6 grants; 2 from 7 - 8; 1 from 9 - 10 and 2 made 11 or more grants.

The purpose of this chart was to measure the commitment of foundations to Spanish-heritage beneficiary programs. The largest number of foundations awarded 1 to 2 grants each, which leads to the generalization that from 1960 through 1971, philanthropic foundations' commitment to Spanish-heritage beneficiary programs was low.

Chart 3 illustrates the distribution of grant funds to Spanish-heritage beneficiaries by region. The data indicate that 36 percent of the philanthropic dollars went to the Western States, 13 percent each to the Southern States and the Northern States, 29 percent to the Northeastern States, and 8 percent to regions that were not specified.

Chart 2

Frequency of Grant Awards By Individual Foundations Contributing To Spanish-Heritage Beneficiary Programs, 1960 Through 1971

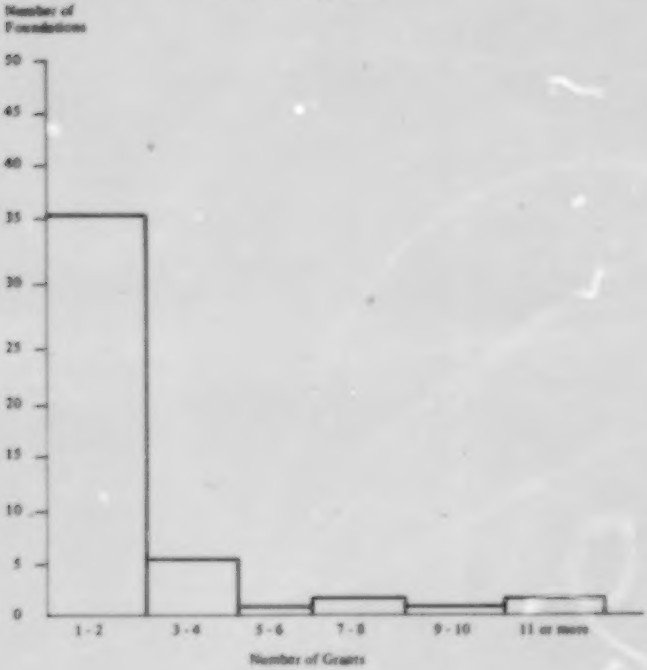
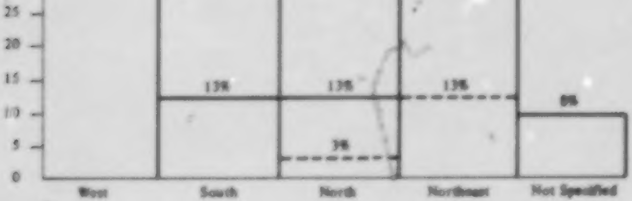


Chart 3

Distribution of Total Grant Funds To Spanish-Heritage Beneficiaries By U.S. Bureau of The Census Regions, 1960 Through 1971[a]



a. Percentages do not add to 100 percent because of rounding.

— — — Percent distribution of Spanish origin population of the U.S.

According to U.S. census figures, 47 percent of the total Spanish-origin population in the U.S. is located in the West; 31 percent is located in the South (which includes Texas); 13 percent resides in the Northeast; and approximately 3 percent is located in the Northern States (see Chart 3).

If the distribution of philanthropic dollars to Spanish-heritage beneficiaries were based solely on the criterion of Spanish-origin distribution by region, then the West would have fallen short of its equitable share by 11 percent and the South by 18 percent. On the other hand, the Northern States would have received 10 percent more than their entitlement and the Northeast 16 percent.

V

CONCLUSION

Despite the limitations previously noted about the data source, the findings in this report give a fair documentation of the extent and patterns of philanthropic giving to the Hispanic community between 1960 through 1971. However, it is recommended that the study be repeated once the Foundation Center updates and computerizes foundation grants for the period of time studied.

The conclusion of this study is that philanthropic foundation contributions to programs benefiting the Hispanic-heritage population was minimal between 1960 and 1971, representing a total dollar value of $23,887,377, or approximately .004 percent of all philanthropic dollars from reporting foundations.

The reader was cautioned that these figures do not include grants to programs benefiting migratory and seasonal farmworkers unless the grant award was for the benefit of a specific Hispanic group within this population. Four such grants were included in this study. Since the Hispanic community makes up a sizable portion of this group, a study documenting grants to it would be of great use. One of the limitations of such a study would be that no federal agency (including the Bureau of the Census or the Department of Labor) agrees as to the size of the farm labor population, much less its ethnic composition. Therefore, grants to migratory and seasonal farmworkers would fall in the category of mixed beneficiaries.

Limited resources for this study prevented the NCLR from making extensive recommendations on how to make foundations more accessible and/or responsive to Hispanic-controlled minority agencies or to programs benefiting the Hispanic community. However, the study does support the conclusion that philanthropic foundations were not as accessible and/or responsive between the years 1960 and 1971 as they perhaps should have been. To highlight this conclusion: In 1968 Vicente Ximenez, then chairman of the Cabinet Committee on the Spanish-Speaking and a commissioner of the Equal Employment Opportunity Commission and one of the best known Chicano leaders, called on all major foundations and asked them to attend a meeting under his sponsorship to discuss the needs of the Spanish-speaking. Only one foundation attended the meeting.

Bibliography

Suggested Bibliography for Further Reference on Patterns of Giving of Philanthropic Foundations

Allen, Herb (ed.), *The Bread Game: The Realities of Foundation Fundraising*, rev. ed., A Joint Venture of Regional Young Adult Project and Pacific Change, San Francisco: Glide Publications, 1974.

"Capital Observations," Sen. Hartke sees need for foundations to have "well-defined purposes and clearly delineated policies," *Foundation News*, Vol. 15, No. 3 (May/June 1974), pp. 8-9.

The Commission on Foundations and Private Philanthropy, *Foundations, Private Giving, and Public Policy: A Summary of Findings and Recommendations*, Chicago: The University of Chicago Press, 1970.

Eisenberg, Pablo, "The Filer Commission: A Critical Perspective," *The Grantsmanship Center News*, Vol. 2, No. 1 (December/January, 1975).

Evans, Gwendolyn, "Funding the Third World," *San Francisco Chronicle* (October 14, 1974), p. 15.

"For Foundation Administrators: Council on Foundations adopts Affirmative Action policy with respect to employment," *Foundation News*, Vol. 14, No. 3 (May/June 1973), p. 2.

"For Foundation Administrators: Science group urges elimination of unintentionally discriminatory practices on grants and contracts," *Foundation News*, Vol. 15, No. 5 (September/October 1974), pp. 2-3.

The Gallup Organization, Inc., "Public Awareness of and Attitudes Toward Philanthropic Foundations, A Summary of Principal Findings from a survey commissioned by the Council on Foundations," New York, 1973.

"A Hard-Hitting Talk by Grace Olivarez," *Council on Foundations: Regional Reporter*, Vol. III, No. 2 (June 1974), p. 7.

Hearn, Robert W., "Foundation Trustees: The Need for Diversity," *Foundation News*, Vol. 15, No. 6 (November/December 1974), pp. 11-15.

Heimann, Fritz F. (ed.), *The Future of Foundations*, The American Assembly, Columbia University, Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1973.

Homan, Nancy L., "Foundation Funds in Aid of Blacks: For a More Thoughtful Distribution," *Journal of Higher Education*, Vol. 41, No. 9 (December 1970), pp. 695-700.

Jordan, Vernon E., "The Foundation and Society," *Foundation News*, Vol. 13, No. 5 (September/October 1972), pp. 27-31.

Loory, Stuart H., "Foundations Snub Mexican-Americans," *San Jose Mercury* (April 2, 1969), p. 37.

Magat, Richard, "Compliance vs. Information: The 990-AR," *Foundation News*, Vol. 13, No. 1 (January/February 1972), pp. 13-18.

Margarell, Jack. "How Firm the Foundations," *Chronicle of Higher Education*, Vol. IX, No. 2 (September 30, 1974), pp. 1, 7.

Towsend, Ted H., "Criteria Grantors Use In Assessing Proposals, *Foundation News*, Vol. 15, No. 2 (March/April 1974), pp. 33-38.

U.S. Congress, House, Subcommittee on Domestic Finance of the Committee on Banking and Currency, *Tax-Exempt Foundations and Charitable Trusts: Their Impact on our Economy*, 8th Installment, 92nd Congress, 2nd Session, 1972.

Weaver, Warren, *U.S. Philanthropic Foundations: Their History, Structure and Management*, New York: Harper and Row, 1967.

Whiting, Basil, J., "Is There A New Grantor-Grantee Relationship?" *Foundation News*, Vol. XI, No. 5 (September/October 1970), pp. 173-177.

Zapruder, Henry G., "Analysis of Provisions Affecting Foundations," *Non-Profit Report*, Vol. 3, No. 5, (May 1970), pp. 2-5.

Zurcher, Arnold J., *The Management of American Foundations: Administration, Policies, and Social Roles*, New York: New York University Press, 1972.

Footnotes

1. For purposes of this report, the term Hispanic is defined to include persons of Mexican-American, Cuban, Puerto Rican, Central or South American heritage, and other Spanish origin groups.

2. The Foundation Center records grants made by foundations if these grants meet a certain set of criteria. The center did not start recording these grants from reporting foundations until September 1960.

3. The Act required, among other things, that more detailed information be reported to the Internal Revenue Service (IRS) by all foundations. The Act requires the filing of an information return (Form 990-A) and a separate annual report (for foundations with assets of at least $5,000), the availability of which must be advertised in a local newspaper.

4. Waldemar A. Nielsen, *The Big Foundations*, (New York: Columbia University Press, 1972), p. 60.

5. Ibid., p. 61.

6. Irene McCallough, "No Risk Grants Typify Chicago's Top Foundation: Wieboldt Leads In Funding City's Minority Institutions," *The Chicago Reporter*, Vol. 2, No. 7 (July-August 1973), p. 1.

7. U.S. Bureau of the Census. *County and City Data Book*, 1972 (A Statistical Abstract Supplement), (Washington, D.C.: U.S. Government Printing Office, 1973), p. 679.

8. Sarah C. Carey, "Philanthropy and the Powerless," paper prepared for the Commission on Private Philanthropy and Public Needs.

9. Ibid.

10. George G. Kirstein, *Better Giving: The New Needs of American Philanthropy* (Boston: Houghton Mifflin Company, 1975), p. 128.

11. Ibid., p. 142.

12. Joseph C. Goulden, *The Money Givers: An Examination of the Myths and Realities of Foundation Philanthropy in America* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1971), pp. 269-277.

13. See Joseph Golden's account of the history of the Mexican American Youth Organization (MAYO) of Texas in his book, *The Money Givers*, op. cit., pp. 273-274 and 311.

14. *U.S. Foundations and Minority Group Interests*, a report prepared by the U.S. Human Resources Corporation under Grant No. ERP-7421650 from the National Science Foundation, June 30, 1975, pp. 63-79.

15. For a more detailed explanation of the 1970 census undercount of persons of Spanish origin in the United States, see *Counting the Forgotten: The 1970 Census Count of Persons of Spanish-Speaking Background in the United States*, A report of the U.S. Commission on Civil Rights, April 1974.

16. U.S. Bureau of the Census, *Current Population Reports*, Series P-20, No. 283, "Persons of Spanish Origin in the United States: March 1975" (Washington, D.C.: U.S. Government Printing Office, 1975), p. 1.

17. U.S. Bureau of the Census, *Current Population Reports*, P-20, no. 250, "Persons of Spanish Origin in the United States: March 1973," (Washington, D.C.: U.S. Government Printing Office, 1974), p. 1.

18. U.S. Bureau of the Census, *Current Population Reports*, P-20, No. 283. p. 1.

19. Ibid., p. 2.

20. Ibid.

21. U.S. Commission on Civil Rights, *A Better Chance to Learn: Bilingual Bicultural Education*, No. 51, May 1975, p. 17.

22. Ibid., p. 17.

23. Ibid., p. 49.

24. The data in this paragraph were extracted from, *Noticias De La Semana: A News Summary For Hispano*, a weekly news release issued by the U.S. Department of Labor, Office of Information, Publications and Reports, Washington, D.C., (July 21, 1975).

25. U.S. Bureau of the Census, *Census of Population: 1970, Subject Reports, Final Report PC(2)-1C, Persons of Spanish Origin*, (Washington, D.C.: U.S. Government Printing Office, 1973).

26. Foundation Grants Index, Vol. 3, No. 4 (July 1962), Foundation Center, New York, N.Y. p. 16.

27. Foundation Grants Index, Vol. 5, No. 2 (March 1964), p. 14.

28. Foundation Grants Index, Vol. 5, No. 5 (September 1964), p. 24.

THE NEW FEDERALISM: GOVERNMENT ACCOUNTABILITY AND PRIVATE PHILANTHROPY

Peter J. Petkas †

Introduction

This paper outlines the work of the Southern Governmental Monitoring Project of the Southern Regional Council, describes in some detail several of the major thrusts of the New Federalism and other changes in federal-state-local relationships where citizen group involvement (with foundation/philanthropic support) is critical, and details our observations of citizen group organization and support in the South.

For the last two years, the Southern Governmental Monitoring Project of the Southern Regional Council has been examining the impact of the New Federalism and related developments on the South (the 11 states that comprised the Confederacy). During summer 1974 and 1975, we placed more than 60 "investigative interns" (primarily law and graduate students) in as many communities across the region. Our interns—and our Atlanta staff—have interviewed hundreds of federal, state, and local officials, citizen-group leaders, media people, and persons affected by a variety of programs.

Our primary concerns are (1) the impact of the New Federalism and other related governmental changes on the traditional constituencies of the Southern Regional Council, minorities, and the poor, and (2) how they affect citizen participation and accountability.

I

THE NEW FEDERALISM

In the last several years states and local units of government have, for good or ill, come to play an increasingly important role in deciding how federal funds are spent. Legislatively or administratively, federal programs are being "decategorized" by delegating to state and local officials varying degrees of freedom to decide precisely how funds are spent within broad areas. General Revenue Sharing (GRS) represents this decentralization process in its purest form, but it is merely one example from a number of actions that affect manpower programs, housing and community development activities, education, health resources and facilities, law enforcement assistance, and social services delivery under the Social Security Act.

These developments are characterized by fund distribution by formula, streamlined application processes (at least in those programs where applications are required), local planning, voluntary enforcement of whatever limitations remain (for example, civil rights, financial auditing, environmental safeguards), and minimal evaluation (too much evaluation and monitoring, it is said, would result in *de facto* re-categorization). They are supported by a formidable constituency linking governors, mayors, chief executive officers of counties from large and small states as well as urban and rural areas. And despite occasional nit-picking, Congress and the administration are in substantial agreement on decentralization. (The Democratic majority does disagree on the *amount* of money that should be spent, continues to express some concern about civil rights enforcement, and professes concern that too few dollars are being allocated by local governments to the poor and minorities, but it has not yet come to challenge the philosophy of decentralization.)

---

† Director, Southern Governmental Monitoring Project, Southern Regional Council, Inc., Atlanta, Georgia.

With some variation, each of the new federalist legislative accomplishments have in common the fewest possible "strings." General revenue sharing has the fewest strings, though local governments are restricted to certain priority categories that are so broad as to cover practically every function of local government except education. The other programs noted are "special" revenue sharing, that is, the funds must be spent on certain broad problem areas: manpower, community development, social services for welfare recipients, and so forth.

Each program contains what can only be described as elementary accountability mechanisms. Under GRS, for example, planned-use reports must be published annually before funds are committed and actual-use reports must be published after they are spent. The funds must be obligated in the normal budgeting process (for example, public hearings, if those are required by local law), and the public must be given access to the relevant budget information. Similarly, the Housing and Community Development Act requires that at least two public hearings be held in the process of developing the local application. "Applications" are really "plans" in the generally accepted meaning of those terms: they are rather general and unless rejected by HUD are automatically accepted. The Comprehensive Employment and Training Act (CETA) establishes a somewhat more complicated planning process. Representative manpower planning councils are to review plans produced by "prime sponsors," jurisdictions or combinations of jurisdictions with more than 100,000 people. The state is the prime sponsor for all other parts of a state and may or may not organize ancillary manpower planning councils in sub-regions within its "balance of state" territory. Funding, primarily by formula, is directly to prime sponsors, whether they be states, cities, counties, or combinations of the last two. The role of state, municipal, or county legislative bodies is solely a function of local law.

All of these programs are characterized by minimal reporting requirements. If, for example, one were to go to the Office of Revenue Sharing to find out how Beaumont, Texas, spent its revenue sharing funds, how its decisions to spend those funds were made, and whether that city is in compliance with civil rights or the Davis-Bacon Act requirements of the law, the inquiry would be of no avail. The reports that ORS maintains, those same planned- and actual-use reports mentioned earlier, do not reveal planned or actual uses with sufficient particularity to mean anything. Stated another way, they are meaningless. Civil rights or other requirements are assumed to be complied with unless there is a complaint. If there is a complaint, there may or may not be an investigation. There will probably not be one if the local unit certifies that it will take steps to come into compliance.

Similarly, the applications filed pursuant to the Housing and Community Development Act may be as vague as the planned- and actual-use reports filed under GRS. Only by interviewing the officials concerned may a citizen find out how the money is actually being spent. Only by conducting a full field evaluation will HUD know how the money was spent. There are exceptionally progressive cities, it must be added, that are planning to publish or have published, independent of any requirement that they must do so, extensive reports on precisely how they intend to spend their community development funds and why.

Experience with the Law Enforcement Assistance Administration (LEAA) has given us a preview of the kinds of citizen participation and accountability problems we might expect in the more recent decategorization in other areas.

LEAA is widely regarded as the precursor of the Nixon-Ford New Federalism. Under the Safe Streets Act of 1968 and the various revisions of it, states have received, through a formula based strictly on population, "block grants" of funds which they must spend on any of a long list of law enforcement activities. In recent years they have been required to pass through substantial portions of these grants to local units of government. State block grants are awarded only if the state, through a comprehensive criminal justice planning agency, has developed an acceptable statewide law enforcement plan. Finally, the law encourages *local* law enforcement planning, especially in metropolitan areas. This local planning process results in input for the state plan and in grant applications to the state criminal justice planning agency.

When LEAA came up for renewal in 1973 criticism had been piling up. First, there had been a series of state scandals involving conversion of funds and gross misallocations of funds. Second, mayors were complaining that *state* red tape and bureaucrats were underfunding them, causing untold delays and generally making it impossible to plan effective long-range programs. They also argued that state planning agencies tended to be responsive to dominant rural and suburban interests. Several complained that special purpose, sub-state regional planning units were also dominated by their suburban counterparts who had less crime to deal with but who somehow were getting a larger share of the funds in the locally developed plan. Civil rights groups complained that LEAA was making no effort to enforce the civil rights requirements of the law and that too often state sub-grants were going to fund Buck Rogers equipment aimed at surveilling or otherwise interfering with the minority or poor community.

The Lawyers' Committee for Civil Rights Under Law echoed these criticisms and demanded that there be more accountability. Specifically, they urged that both state and local legislatures have a much greater say in how the funds are spent. The Lawyers' Committee professed no great confidence in either the competence or the liberality of legislatures, but felt that their processes would necessarily be more amenable to citizen influence and inspired, if not continuous, oversight.

The Nixon administration's answer, substantially rejected by Congress, was that what was needed was fewer, not more, "strings." They proposed to convert LEAA funds into special revenue sharing, by which they meant denying LEAA the authority to disapprove state plans. They also proposed to remove the vestiges of categorization that remained in the statute with respect to particular law enforcement activities that Congress had previously decided to be of such importance that states were to be encouraged to undertake them. As for accountability, the administration proposed a requirement that there be public hearings on the state plan, that meetings be open, that "non-confidential" applications and awards be made public, and that LEAA's comments on state plans be published annually in the Federal Register. Finally, there was a pledge of vigorous post-expenditure evaluation.

In an effort to identify how this type of evaluation is going, we recently asked a staff assistant to try to obtain copies of any evaluations that might have been conducted by LEAA on the Georgia Crime Commission and its sub-grants. He spoke to five professional staff persons at the Atlanta regional office of LEAA, having been referred to each in succession. He spoke with several persons with LEAA in Washington, including the chief auditor in the Office of Inspector General. Questions about evaluation rang no bells. Finally he spoke with the planning director of the Georgia Crime Commission, who was both friendly and concerned. His message was that there was no systematic evaluation and it would be virtually impossible to have one because of the difficulties of measurement and the lack of meaningful objective criteria. In order to get some idea of citizen participation in the planning process, our staff member spoke to the commission's public information officer (a new position created in January 1975). The commission had held a single statewide public meeting in July in Macon to finalize the 1976 state plan. Letters went to regional criminal justice planning unit members (there are 18 such units in Georgia), local elected officials, sheriffs, police chiefs, and the media. Attendance? A "roomful." Coverage? "Not much." The public information officer seemed genuinely concerned about the poor showing and hoped to do better next year. Our interns in Georgia and elsewhere found no greater public participation in the local law enforcement planning process.

II

THE QUASI GOVERNMENTS

Our constitutional federalism gave us only the national government and the states. History, tradition, and happenstance have given us cities, counties, parishes, townships, boroughs, and special purpose districts and authorities with the power to tax and to enforce particular kinds of rules and regulations and the duty to deliver particular services. Relatively recent historical developments—the municipal-reform and good-government movements of the early part of this century—and a series of national legislative initiatives in the last several decades have given us a bewildering variety of quasi-governmental instrumentalities that now overlay, intertwine with, and in a near infinite variety of ways, relate to the constitutional and traditional governmental units: councils of governments, general and special purpose sub-state planning districts, quasi-independent statewide planning agencies.

According to a 1973 study by the Advisory Commission on Intergovernmental Relations (ACIR), there were in 1972 approximately 78,000 "units of local government" in the United States, including about 24,000 special purpose (school, water, fire, hospital, and so forth) districts. As for quasi-governmental units, there were more than 600 regional councils, more than 500 multi-purpose sub-state planning districts, and over 4,000 single-purpose (usually federally mandated) sub-state planning units.

According to ACIR, as of 1972 there were 24 federal programs that either required or encouraged area-wide planning or implementation, or both, representing $8.6 billion in federal expenditures (for fiscal year 1972). In 19 of these programs, area-wide institutions are either required or encouraged; in 9 of these, *special purpose* institutions are either preferred or required by law or regulation; in 5, general purpose comprehensive planning organizations are preferred (note, however, these are *not* units of government); for the remaining 5, no organizational preference is given.

The most recent extension of the sub-state planning principle was embodied in the new federal health facilities and service planning legislation (PL 93-641), approved January 1975 by the President, requiring governors to divide their states into health systems agency areas containing 500,000 to 3 million people.

The role of the states in these schemes varies from program to program. In some the states (either the governor directly or a single state agency) organize the sub-state institutions and designate their boundaries; in others the state is consulted before federal designation; in several others the state's role varies depending on whether the particular sub-state region involved is metropolitan or non-metropolitan.

The composition of the governing bodies of these institutions varies. Some, of course, are councils of government, composed of elected officials who sit ex-officio (and who may have one vote each or who, in rare instances, may cast votes proportional to the population of the governments they represent). Others are required to be made up of a variety of combinations of local officials, elected or appointed, of citizens, and of "consumers." For others, "all affected interests" are to be represented. Finally, for some, the qualifications of members are unspecified.

The authority of these institutions varies from program to program, state to state, and even within states, depending on applicable state law and the leadership of the governor, the comprehensive state planning agency, or a single state agency, where one is involved. The relationship between governing boards and professional staffs varies greatly. A single planner with sufficient expertise, persuasive abilities, and political finesse may make or substantially determine all significant decisions; or the same may be true of a single elected official or of a representative of a particular constituent agency, such as a police department, where such persons are represented.

These institutions—especially those with a single purpose—do possess one common attribute: they are relatively invisible to the public generally, to the press, to the beneficiaries of the programs they plan, to state legislatures, and, with the exception of an occasional oversight hearing, to the committees of the U.S. Congress that created them or inspired their creation.

III

THE A-95 REVIEW PROCESS

The Intergovernmental Cooperation Act of 1968 was the culmination of a number of earlier federal efforts to rationalize the federal grants-in-aid process at the state and local level. It and the guidelines implementing its key sections, Office of Management and Budget's (OMB) "Circular A-95," have been described by ACIR as "the new congressional charter for federalism" that "substitutes the 'politics of negotiation' for the 'politics of bypassing.' "

Through its Project Notification and Review System (PNRS), A-95 requires that all applications for more than 100 federal assistance programs be reviewed and, if appropriate, commented on by designated "clearinghouses." (The programs include, among others, all urban renewal and model cities type projects, public works, highway construction, airport construction, housing, educational facilities, mental health facilities, law enforcement action grants, and planning assistance grants for health care, law enforcement, community action, and economic development.) Though loosely defined in the circular, clearinghouses are multi-jurisdictional units with a comprehensive planning capability and staff. Typically, in metropolitan areas, regional councils or councils of government serve as A-95 clearinghouses. In non-metropolitan areas, sub-state planning districts are the A-95 clearinghouses. At the state level, the governor's office or the state comprehensive planning agency conducts A-95 reviews. Each clearinghouse determines which applications raise issues that might merit comment by its own staff or by its constituent governments, produces or solicits those comments, then, where significant differences exist, arranges conferences between the applicant and its own staff and/or other concerned agencies or units of government. If differences are not resolved, critical comments are attached and forwarded with the application to the state clearinghouse, for a similar process, and then to the federal agency to whom the application is addressed.

Clearinghouses have no formal veto power and federal agencies may accept or reject their comments or recommendations. This, of course, is where the ACIR's "politics of negotiation" comes into play: since there are no legal standards for review and no legal compulsions, such as a veto, the parties involved must calculate their relative political clout or persuasiveness with the federal agency concerned. This may boil down to personalities: who knows whom and how well in the governor's office or in Washington; or leverage: who can gain the support of a powerful committee chairman who may have influence at the agency in Washington or the support of a key high official in the administration; or horsetrading: what local politician owes another a favor; or press coverage: who can plant a story that will embarrass either the applicant or the federal agency involved or both (or, for that matter, embarrass the objector).

In practice it seems that the "politics of negotiation," however it really works, takes hold in only a few cases. Typically, clearinghouses operate at best as imperfect information services for the participating agencies and at worst as paper shuffling, rubber-stamp wielders. No one is really sure how well—or poorly—they function. Two things are certain: they are relatively invisible except to the public officials and professionals most directly concerned; and their *potential* for impacting significantly on the implementation of a wide variety of federal programs is enormous.

IV

STATE, LOCAL, AND PRIVATE ACCOUNTABILITY MECHANISMS

For a variety of reasons, accountability for these federally funded state and local activities will have to come substantially at the state or local level and through private efforts:

1. Congress has not written into applicable enacting legislation effective reporting, monitoring, and evaluation systems. The planned- and actual-use reports that all 39,000 jurisdictions receiving GRS funds must file and publish, for example, are little more than a joke—even if most of the laughing is done in private—for those who designed them, for those who complete them, for those who collect them, and for those who read them. The so-called applications required to be filed by cities entitled to community development (CD) special revenue sharing funds are equally worthless. And whether or not they reveal how an applicant actually plans to spend CD funds, they are approved by rubber stamp. HUD plans to review actual CD activities against these applications, that is, the standard of performance is determined by what a city says it will do with the money. Only those lacking the sophistication to write their applications with sufficient ambiguity will, presumably, risk castigation. The result is a kind of grantsmanship game turned on its head: the worst applications (that is, those that are "bad" from any objective point of view) will produce the "best" results.

2. Congress lacks the capacity and probably the interest to conduct the traditional types of oversight. A congressional committee reviewing the required reports and applications will be in no better position than anyone else to understand what has happened with the money and why. Nor will administration witnesses be able to add much. Nor is it practicable for a committee to establish its own parallel monitoring system that would, for example, reach into every one of the 39,000 jurisdictions receiving GRS funds.

3. As a matter of policy, the current administration is not conducting any significant evaluation or oversight of the activities of state and local officials in these areas. To do so, they argue, would involve more "red tape," more intervention from Washington, and implicitly, the substitution of Washington's judgment of what is good for the people for the judgment of local officials who are by definition closer to the people. Of course, the executive policy of "see no evil, hear no evil, speak no evil" is quite consistent with the mandate of Congress.

This state of affairs leaves a number of potentially interested people in the dark about the results of what some of the more eloquent proponents of the New Federalism have described as the Second American Revolution:

Those with idle curiosity: The academic community and others interested in national policy planning, the national press (the local press with sufficient staff and a commitment to investigate reporting will be able to piece something together about the results of the New Federalism in *their* communities, but few are equipped for the task).

Those paying the bill: Federal taxpayers who view their proportionate share of federal expenditures as indivisible, like most other participants in the drama, will be unable to learn how their money is spent or how effectively. Taxpayers who see their federal tax dollars coming home in these programs will have to combine the skills of good lobbyists with those of good investigative reporters, unless other locally based groups have these skills and use them, if they wish to understand and then, perhaps, participate in local decisions about these funds.

Those most in need: Despite the fact that few strings are attached to them, both community development and manpower special revenue sharing funds, for example, are supposed to benefit target populations. A proportionally larger share of these people in most communities are minorities and lower-income people. Coincidentally—or perhaps not so coincidentally—these are precisely the types of citizens who are the least influential as a function of political power or skill, or both, and the least able to conduct sophisticated monitoring activities without professional assistance. In many communities these citizens are without representative spokespersons and without strong organizational support.

V

THE ACCOUNTABILITY GAPS: EXPERIENCE HAS BEEN NO GUIDE

I selected LEAA for some specific elaboration because experience with it thus far suggests that Congress and the present administration seemed to have learned very little about accountability in the context of new relationships between the federal government and states and local government. In fact, none of the lessons learned with LEAA seem to be reflected in its progeny, general revenue sharing and the various forms of special revenue sharing already adopted. Nor has experience with it led to any substantial effort to rationalize special purpose sub-state planning districts—remember, just this year (1975) a new nationwide districting scheme for health facilities planning is being created without any apparent thought given to similar systems wholly or partially in effect for 24 other different programs. Nor has any particular effort been made to relate the LEAA experience—in which the state planning role is paramount—to the A-95 process. On the contrary, the state role in A-95 continues to be almost coincidental, except in a few states in which gubernatorial action or state law have mandated otherwise.

The first major accountability gap is the failure of any of the traditional institutions to exercise their expected check and balance or oversight role. Congress has failed to see the bigger picture. The intergovernmental relations subcommittees in the respective bodies have what they consider more immediate issues to pursue. And the substantive committees that oversee both the New Federalist legislation and the assortment of programs stimulating sub-state planning in its various forms have taken no visible action. The system may have become too complex for Congress, as it is presently organized, to cope with, especially since tampering with it is neither legislatively sexy nor safe. Specificially, it is the type of hornets' nest of back-home political intrigue U.S. Senators and Representatives are loathe to deal with, except through their own version of the politics of negotiation.

Assuming no immediate interest on the part of Congress, the impetus for oversight will have to come at the state or local level. As indicated earlier, there was some indication in 1973 that, at least with respect to LEAA, the mayors, through the National League of Cities-U.S. Conference of Mayors, were beginning to chafe under some aspects of sub-state regional planning. My own feeling is that the states have a much greater interest in rationalizing the intergovernmental scene and making the assorted quasi-governmental institutions within their borders accountable than do any of the lesser units. First, state law still controls most of the procedural questions involved (access to information, openness of meetings, auditing standards, powers of councils of government and of *most* other sub-state planning bodies, including those created in response to federal initiative). Second, states are the simplest points of reference for most citizens. A person may pay taxes to or be subject to the decisions of dozens of sub-state governments and institutions. His or her city may be relatively visible, but powerless to control all the others. The state is both visible and potentially powerful enough (in the sense of possessing more of the potential legal authority) to control or effectively oversee the rest.

Foundation priorities in connection with the role of state governments here should be, first, to encourage and support efforts to measure the performance of those state institutions with a known or potential role in the area: governors' budgeting offices and intergovernmental relations offices, the state A-95 clearinghouse, the relevant legislative committees. It is important that such efforts also focus on the role of organized pressure groups of local officials, sheriffs' associations, leagues of cities, and so forth. Second, assistance should be given to those community organizations, especially those whose interests are statewide or that otherwise carry on activities at a state level, to enable them to monitor and participate more effectively in the decisions of state agencies concerned. One method of accomplishing this would be to fund public interest consortia of planners, accountants, public administration experts who could provide free or low-cost assistance in commenting on proposed grants, plans, and administrative actions. Members of a consortium would not be advocates, but would provide technical assistance to those advocates otherwise unable to prepare the sophisticated analyses that could better enlighten decision makers.

A second major accountability gap is the lack of a central source of information on the intergovernmental scene in a state. There should be a central repository, kept current on at least a monthly basis, of all relevant information on the activities, membership, output, and so forth, of all sub-state planning operations in the state. A state university library or institute of government could serve this function. This service could be an adjunct to or first step toward a central repository on information about the activity of local governments—even special districts—in a state. Such a "clearinghouse" would be invaluable not only to researchers and citizen groups, but also to officials and public servants in all sub-state level government and quasi-governmental insitutions. Local and state foundations or a consortium of same could provide the seed money for this kind of operation with the expectation that public funds would eventually carry the burden.

A third major accountability gap is what might be described as the absence of "affirmative action" in information on the part of both state and local government agencies. Few states in the country have the sort of official gazette of proposed and finalized administrative actions represented by the Federal Register. No one would argue that the Federal Register is a perfect tool. Yet those who are concerned with the activities of the federal government would be helpless without it. State registers, perhaps not with the daily frequency of the federal counterpart, could be immensely useful to ordinary citizens and others with an interest in following the activities of government, but they should not stop at state government. They could extend, at least, to those activities by local governments, for example, participation in A-95 review, that have significant intergovernmental dimensions. Texas will soon be publishing a state register under its new administrative procedure act; unfortunately it will cover state agencies only. Foundations could support pilot registers in those states that do not have them and could, in the process, ensure that intergovernmental activities are duly reported. (Since publication would be voluntary, such a private effort would necessarily be incomplete, but it would be far more useful than what most citizens are able to learn today.) Such a project could be financially self-supporting and could, conceivably, generate enough subscription income to liquidate much or all of the initial investment.

The fourth major accountability gap is really a series of barriers to effective third party (citizen or independent researcher) participation or monitoring:

1. Closed or inadequately publicized meetings.

2. Refusals to provide information (often, we have found, due to ignorance on the part of both officials and citizens of their duties and rights, respectively, under state public record laws).

3. Unavailability of staff time to assist "outsiders" in understanding the process that they hope to participate in.

4. Failure of officials to understand how their activities fit into the larger picture of planning, and federal-state-local governmental interactions. (Stated another way, officials as well as citizens are vicitimized by the same atomization and complexity.)

5. Failure of state and local legislative bodies to play a significant role in the expenditure of federal funds. (A point raised by the Lawyers' Committee in its critique of LEAA discussed earlier.)

The fifth accountability gap is, in my view, the general absence of built-in mechanisms to ensure accountability. These are possible in a variety of different forms: ombudsmen with tenure, free speech for professional staff within the organization, citizen review boards with access even to privileged information possessed by an agency and, where the operation is large enough to justify it, with their own professional staff member or members, and, finally, citizen-participation specialists whose job descriptions, if nothing else, require a commitment to bringing outsiders into an agency's or government's decision-making processes. In this latter regard, we have found that city employees who have had experience in the various citizen participation and neighborhood involvement processes mandated by law for agencies such as model cities and community action translate their experiences very effectively in other areas, such as involving citizens in the process of deciding how Housing and Community Development Act special revenue sharing funds are to be spent. Foundations could provide demonstration grants to agencies or governments willing to undertake one of these approaches on an experimental basis, separately funding independent monitoring of their effectiveness.

The "final" but by far the most serious accountability gap is the under-institutionalization of private, nonacademic monitoring efforts at the state and local level. Once all the barriers are removed and once "affirmative action in information" is attained, they will have little effect unless there is an organized "third sector" committed to government accountability for its own sake. The infra-structure of public interest group advocacy and representation that exists in Washington with respect to some federal agencies simply does not exist in most state capitals or in most cities. The attributes of this infra-structure include permanency (or at least enough financial resources to last beyond two or three years); professional staffing (or at least full-time *paid* employees) who will be around day after day and who will be perceived by decision makers as reasonably well informed, expected contributors to the process; and visibility (generally, through the press) to ordinary citizens directly affected by the actions of the agencies or units of government involved. The role of foundations here is self-evident: fund such infra-structure building efforts. The public interest community in Washington, whether it be public interest law firms or environmental groups or civil rights groups, would not exist were it not for the willingness of a handful of foundations large and small to take a few risks with some of the pioneer groups. They were most successful when they identified individual public interest entrepreneurs on whom they could rely and whom they knew to be sufficiently committed to carry through once initial foundation support through seed money would no longer be available from the original source.

The possible techniques for foundations to assist in building independent state and local "watchdog" efforts include

1. Providing financial support to enable state and local public interest groups to become organized and to sustain themselves with sufficient staff and for a sufficient length of time to understand and be able to participate in local decision making.

2. Developing and/or supporting institutions that can identify and, if necessary, aid in the organization of such watchdog efforts at both the state and local level. These brokering or mediating institutions—my own experience suggests that they be organized at the *state* level where possible—would serve to overcome the single biggest operational hurdle to foundation involvement—decentralization itself (that is, the difficulties and the risks of dealing with literally thousands of possible local organizations).

3. Supporting changes in the tax laws limiting efforts to influence legislation. This would substantially increase the effectiveness of local groups and their ability to raise money from both foundation and non-foundation sources. Incidentally, the tax code itself is a significant barrier to organizing local monitoring and advocacy groups. Few have access to knowledgeable tax counsel, and those who do are discouraged by both the complexity of present law and the risk involved if their activities fall in the rather large gray area.

4. Developing innovative techniques to leverage local resources to support local watchdog groups. Matching grants from national foundations are often used to support local art and cultural activities as a stimulus to local giving. Why not use similar techniques in the government accountability area?

VI

CITIZEN GROUPS IN THE SOUTH

Our work throughout the 11-state South has led us to the following conclusions about the *present* public interest group infra-structure in our region:

1. There are few statewide "citizen groups" of any description in the South. For example, in only three of the states (Texas, Arkansas, and Virginia) are there statewide consumer groups with full-time (*including* unpaid) staffs. Statewide environmental groups are just as spotty. The same or worse is true for groups representing poor people, senior citizens (Florida is a significant exception), and minority groups (Texas and Florida are exceptions for the Spanish speaking; Black groups tend to operate locally or through elected officials, especially legislators).

Three issue areas at the state level are exceptions in many states: utility advocates, women's rights groups, and good government groups (largely Common Cause *state* organizations). But even in these issue areas the groups that do exist have far fewer resources (money and full-time staffers) than might be expected. For example, though Common Cause *volunteers* have effectively lobbied for ethics and open meetings in a number of states, only in Texas can the group afford a full-time paid lobbyist. The few effective utility advocate groups (in Texas, North Carolina, Virginia, and Georgia) have survived largely through the personal sacrifices of a hard core of volunteers and in spite of few or no resources. The League of Women Voters, AAUW, NOW, and the Junior League are active in all 11 states, but visible in only a few *except* on ERA. Again where they have a hard core of full-time volunteers, they are both visible and effective.

We have found no statewide citizen group in the South that has made an effort to participate or influence *state* agency or legislature decisions about New Federalism programs.

2. There are only a handful of local organizations able to participate on more than a one-shot basis in any area of local government decision making, including, of

course, decisions about the allocation of federal dollars. Thus, even where citizen participation was actively sought by local officials in the programs about which we were concerned there was limited response. In most other places, even had officials taken the initiative, few groups could have commented effectively on proposals by planners and department heads. The exceptions came where specific proposals aroused press interest and/or where *ad hoc* single issue groups came together to do battle (for example, freeway location, abandonment or a severe cut in a major community service). And these were most effective when volunteers with professional training (such as lawyers, engineers) could be enlisted. Obviously, this meant a bias toward "middle-class" issues.

3. The groups that do exist are chronically short of resources. They are compelled to devote substantial energy to fund raising and finding volunteers and they are prone to pick quick-and-dirty issues that bring public attention to themselves and that rouse emotional support from the broader community. They are generally unable to watchdog or monitor governmental activities or to undertake any activities that require long-term effort (that is, more than a couple of months) or extensive fact-gathering, for example, the kind of legwork necessary to gather evidence for an equalization of municipal services law suit.

THE ROLE OF FOUNDATIONS IN BROADCASTING AND CABLE COMMUNICATIONS POLICY DEVELOPMENT

Albert H. Kramer †

Introduction and Summary

The purpose of this paper is to discuss the role that foundations have played in the evolution of policy in the broadcast and cable area during the last several years. It addresses this issue in a general way but in the particular context of the study conducted by the Commission on Private Philanthropy and Public Needs.[1]

This discussion begins from the premise that from the perspective of any fair-minded observer major foundations have provided relatively generous support to the evolution of communications[2] public policy. Moreover, this support has probably had a somewhat beneficial and benevolent impact on broadcasting and cable policy. But at the same time, the particular perspective that major foundations have brought to this area has in itself been a major defect in their ability to define and respond to "public needs" in the area of communications policy.

In particular, the perspective that major foundations have brought to defining public needs in the broadcasting area essentially represents an extension of what the Filer Commission has characterized as two of the major "current patterns of giving" by private philanthropy: support for education and support for cultural (particularly the arts) institutions. The primary approach of the major foundations has been to attempt to enlarge the number of available outlets by creating a public broadcasting system and to hope that some of the newly created forums would incidentally prove to be effective platforms for groups that would ordinarily be excluded from access to commercial broadcast media. Until very recently, this limited perspective prevented foundations in general and major foundations in particular from responding to what is almost universally conceded to be the central public need in the area of broadcasting policy: arresting and reversing the increasing concentration of control in fewer and fewer hands of the decision-making power over the content of the media that has increasingly set our national agenda and redistributing existing concentrations of that power by taking some of it from those segments of society that now control it and vesting elements of that control elsewhere.

It hardly needs mention that media – primarily the broadcast media – dominate our lives and determine our tastes, attitudes, and prejudices. Study after study has implicated radio and television in virtually every other concern of our time: race relations (the Kerner Commission), violence (the Eisenhower Commission), war (William Fulbright's *The Pentagon Propaganda Machine* and CBS's "The Selling of the Pentagon"), child development (the Surgeon General's Report and Robert Choate's work on nutrition), drugs (the National Council of Churches' hearings, Senator Gaylord Nelson's hearings), the rising costs of political elections, mass consumption, the role and rights of women, rising levels of alienation, the disintegration of the family, the decay of the cities, and so forth. Where the broadcast media's effects are not directly implicated in the issue, what they tell us about the issue affects the level of national debate on it. Whether the issue is tax reform, the environment, health care, or energy, the ultimate resolution may depend in large measure on how the media handles the issue. The battle for public opinion is often waged and great wars won or lost on a battleground that is roughly a 21-inch square. And of course the broadcast media's greatest influence can lie in what it doesn't do or prevents us from doing—its beguiling ability to fill our minds with trivia and commercials, to keep us from thinking about pressing problems.

---

† Arnold & Porter; National Citizens Committee for Broadcasting, Washington, D.C.

That there is an urgent public need for dispersal of the awesome power to control this powerful instrument cannot be gainsaid. This general need manifests itself in a variety of specific needs: the need for more outlets, the need for public participation in policy affecting media, the need for access to the decision-making processes affecting the media, and the need for direct access to the media themselves, to name but a few.

There has been little or no support of those movements that might in some small or substantial manner challenge the ability of the existing broadcast media structure, with its underlying economic support by private advertisers, to control the flow of information and news that establishes national priorities and lifestyles. What little has been done to confront the existing media control patterns and redistribute direct access to the media as well as the decision-making processes affecting the media has been too little, and possibly too late. And the same oversights that have characterized major foundation efforts to affect broadcast policy in the past continue to persist.

What is worse, the errors of the past are being repeated again. As emerging technologies – at the moment, primarily cable communications – portend a golden age of communications in the future, too much energy has been devoted to attempting to shape power relationships by research and policy fiat. Foundations are devoting virtually no resources to the fundamental task of supporting direct action advocacy efforts that will ensure that the blissful era of channel abundance ever comes about or that its benefits will be equitably distributed.

I

THE FOUNDATIONS' GREATEST EFFORT AT MEETING PUBLIC NEEDS IN BROADCASTING

It would be easy to say that in the area of communications policy of concern here, foundations have been too oriented to research and lofty policy discussion rather than follow through in action-oriented projects that helped shape that policy. Undoubtedly that thesis could be documented in a number of ways. One could go through the annual reports of selected foundations and pick out selected projects for a listing.[3] Similarly, one could catalogue the mountain of research supported by various foundations through the Rand Corporation, or by the Twentieth Century Fund or the Markle Foundation. This criticism of major foundation activity has much merit, and we shall have occasion to return to it. (See pp. 1333-34.)

Yet the notion that major foundations have simply supported theoretical research rather than action- or policy-oriented research is difficult to sustain in the face of The Ford Foundation's unremitting support of the development of public broadcasting, the Report of the Carnegie Commission on Educational Television (which ultimately led to legislation establishing the Corporation for Public Broadcasting), Carnegie's and Markle's involvement in support of the Children's Television Workshop (creator of "Sesame Street" and "Electric Company"), and the Sloan Commission on cable television. Whatever the shortcomings of major foundations in other areas of social activism, these efforts represent "action" commitments of major dimension.

What they do not represent, however, is a commitment to a major challenge of the established patterns of control over the information reaching the American people. They are, if anything, complements of the existing concentrations of media power and validations of the traditional "educational" and "cultural" concerns of major foundations.

Consider the area of greatest visibility of major foundations active in communications policy: public broadcasting. Public broadcasting originally began as "educational television," with the emphasis on television as an instrument of instruction. The early promoters of public broadcasting, largely backed by The Ford Foundation, included organizations such as the Joint Council on Educational Television, the American Council on Education, and the National Citizens Committee for Educational Television, all creatures of the early 1950s. Experiments included the classroom use of television at various levels of education, as in the Penn State experiment and the "Hagerstown Project," and the use of television as an efficient means of upgrading educational standards, as in American Samoa.

At no point was this development a threat to existing media powers. On the contrary, the handful of powerful interests controlling commercial broadcasting could hardly have done a better job of orchestrating the entire movement. The major "challenge" to existing power patterns over the media came in the early 1950s with a successful effort to reserve certain TV channels for educational use. Yet even at this level where there would have seemed to be the most direct confrontation between established media powers and public broadcasting, there was not a real conflict. Reserving channels for educational use meant no new economic competition for existing commercial owners and licensees. Commercial broadcasters have frequently paid handsomely to reduce competition from other outlets. A classic illustration is the money raised by several New York television stations in the early 1960s to purchase Channel 13 from a commercial broadcaster and turn it over to what is now the Educational Broadcasting Corporation (WNET). In the early 1950s, the broadcasting industry was no less astute. Notwithstanding a few hysterical *Broadcasting* editorials, there was no real opposition from the industry to the foundation-backed efforts to reserve some channels for educational use.

Over the years, these "instructional" uses of television became only one component of "public" broadcasting. An important factor in this evolution was the demise of serious drama and journalism on commercial television in favor of mass appeal, common-denominator programming. Public broadcasting would be the alternative to the "vast wasteland" without threatening it.

It is not without significance that major foundation involvement in broadcasting coincides with the arrival of television. As discussed above, the classroom potential of television aroused the early interest of foundations. But to a far, far greater extent than radio, which has never enjoyed major philanthropic support,[4] television also represents a natural extension of the performing arts, a time-honored outlet for private philanthropy. Thus public broadcasting combined two traditional attributes of recipients of private philanthropy: education and culture.

The resulting philanthropic obsession with public broadcasting has been wide ranging. From the "Public Broadcasting Laboratory," it took us to Julia Child's kitchen; then it took us down "Sesame Street" to the "Steambath," from "High School" to "Juvenile Court," through the "Forsyte Saga" to "War and Peace," and from "The Great American Dream Machine" to an unintended result for "The American Family," and elsewhere. Public broadcasting serves the social strata that forms the least desirable audience for commercial television, if its members would watch commercial television at all. The "highbrow" nature of public broadcasting programming has been a major feature since its inception. Moreover, public broadcasting has provided an outlet for programming appealing to ethnic and racial minorities, further easing the strains on commercial broadcasters.

In short, it seems fair to state that major foundation support of public broadcasting stemmed from traditional philanthropic concerns with education and the arts. It became an alternative to commercial broadcasting for a small group whose cultural and educational needs were going unmet by commercial broadcasting rather than responding to any strongly expressed or felt "public need." It was not designed in any manner to confront or challenge the existing control over broadcasting of the national networks, multimedia and station group owners, and conglomerate media owners who dominate the American agenda by controlling much of the flow of information and ideas to the American people.

The objective of providing an alternate broadcast service that yields greater media diversity can hardly be faulted. To reiterate, that is not the purpose here. While it is debatable whether the objective of creating an alternative broadcasting service has been rationally pursued by the major foundations, the nobility of the endeavor is not in question. But without denigrating the meritoriousness of the goal, it is valid to ask whether the project has not been too costly in terms of alternate means of accomplishing the same or a similar goal. Even more fundamentally, one can question whether given other public needs the goal itself warrants the priority it has commanded. (See pp. 1328-30.)

Yet the effort has commanded major foundations' attention and literally hundreds of millions of their dollars. The direction of major foundation effort was almost predictable given the predisposition toward avoiding confrontation with the major problem of media: the unwillingness of existing media dynasties to relinquish either economic or political power. The major foundations were, and for the most part still are, unwilling to take on the fundamental maldistribution of control and power over media and its content that exists in this country. It is rectifying this imbalance that warranted and continues to warrant the first priority of major foundations. Even if there were not a more efficient means of providing greater diversity in broadcast service than public broadcasting (see pp. 1328-30) as a matter of social priority it is of greater consequence as a felt public need. Resolution of this imbalance might help to rectify other major social imbalances and dire public needs that result from or are aggravated by the media's massive power.

Facing this problem requires a commitment to a struggle and direct confrontation with some of the most powerful commercial and industrial interests in society. It is not merely the broadcasting industry's power that must be challenged—in itself a formidable array of major industrial and diversified conglomerates and congenerics; it is also the many major commercial, industrial, and service concerns that have become dependent on the broadcast media as major marketing instruments and as the vehicle for creating a climate of public opinion favorable to their continued economic viability. Indeed, it might involve the major foundations in confronting the very interests that allow them (the major foundations) to continue to determine the agenda of private philanthropy in the same manner that those interests help determine public and private patterns of consumption and expenditure.

II

FOUNDATION SUPPORT OF THE CHALLENGERS

Thus far, the challenge to these interests has, in the main, not been accepted by the major foundations. Their support of "action" groups involved in such endeavors has been at a relatively miserly level.

In general, the pattern that emerges confirms the view that organizations dealing in highly controversial attempts to redistribute control of the decision-making processes affecting the media or to challenge the basis of the commercial media, that is advertiser support, have been underfunded, gone without funding, or had to undergo incredible tests of stamina before receiving funding. And it is not without significance that often this funding has come not from the foundation departments most concerned with communications, but from departments willing to use communications as a process for furthering other substantive programs, as described below.

The Success Stories

To my knowledge, there are four groups that have received significant foundation funding in this area. With respect to three, there are special circumstances surrounding the conditions under which they were funded, and the fourth has only recently received substantial major foundation support.

Office of Communication of the United Church of Christ

The Office of Communication of the United Church of Christ did the pioneering work in citizen advocacy in the broadcast media. Beginning as far back as 1964, it fought the battle to accord citizen groups the legal status to participate in Federal Communications Commission proceedings. The battle began over a blatantly racially discriminatory station in Jackson, Mississippi, at the height of the civil rights movement – which accounts in part for UCC's successful efforts at fund raising. Because the project was in the South and in civil rights, the Field Foundation and The Ford Foundation provided initial grants of about $10,000 each. But the bulk of the funds to sustain the challenge (which culminated in a 1969 court decision ordering the station's license taken away, although the battle to determine who will get the license is continuing) came from the church's own funds for the promotion of racial justice. Subsequently, the Office of Communication was able to raise some money for a special project on the fairness doctrine[5] and for a broadened program to combat racial injustice in broadcasting.[6] Again Ford and Field provided the funding, with the addition of some AFL-CIO money in the fairness doctrine program. The Office of Communication has more recently received some grants from Markle and the Stern Fund to publish and disseminate some handbooks and pamphlets on citizen rights in the media. Ford has continued to provide support. But the bulk of the support comes from church funds.

There are several notable aspects about the support given the church's program. As mentioned above, the program arose in the special context of the civil rights struggle in the South. Further, the bulk of the funding has not come from the "communications" department of the largest foundation involved – namely, Ford. It has had to come from a division (National Affairs) more used to being on the firing line. And where other large foundations have provided support (namely, Markle), it has been for the publications aspects of the program. (The latter has been equally true for the Stern Fund *in this instance;* but as discussed below, the Stern Fund has been one of a handful of small foundations that has kept the citizen advocacy approach in broadcasting – as opposed to the education and alternative approach discussed above – alive.) Finally, there is the relative safety of making grants to programs being conducted by a national office of an organized national church. With all deference to the progressive role that many churches have played at the cutting edge of social progress, a contribution to a church program is still a relatively "safe" contribution.

Citizens Communications Center

CITIZENS was founded as a one-person public interest law firm in fall 1969.[7] An office and physical facilities were provided by the Robert F. Kennedy Memorial, of which CITIZENS was a part. A one-time grant of $25,000 came from the Midas Foundation, then headed by Gordon Sherman. This grant covered all salaries, operational expenses, and out-of-pocket disbursements attributable to CITIZENS' operations for one year.

Before the year was out, CITIZENS' caseload and scope of operations had expanded beyond the capacity of the RFK Memorial to continue to contain it and the initial grant to support it. In fall 1970, a critical grant was received from the Stern Fund. The grant allowed staff and physical facilities expansion. About the same time, RFK agreed to provide a termination grant. (By this time, CITIZENS was separately incorporated and shortly thereafter received its own section 501(c)(3) tax status.)

In the meantime, CITIZENS had begun to seek funding from dozens of foundations, including most of the major foundations. It was universally refused funding even though through the spring and summer of 1971 it realized a series of important court and FCC victories, as well as influencing the policy of other major government agencies both directly and as those agencies related to the FCC. CITIZENS literally survived on a month-to-month basis, devoting enormous amounts of energy to securing grants – some smaller, some larger – from a host of smaller foundations and individuals. (Examples include DJB, Abelard, Playboy, and Fairtree.)

It seems safe to say that CITIZENS would have folded sometime in 1971 – despite its enormously successful track record – but for the active intervention on its behalf of several trustees of the RFK Memorial (as well as several other persons who had come to know CITIZENS' work). Ultimately, over a year of negotiations with The Ford Foundation led to a grant in April 1972. Over a half year was spent haggling about a board of directors which reflected – to use the words of one foundation executive – the proper degree of "balance, energy, and sobriety." While the dickering continued, the Rockefeller Family Fund, the Stern Fund, and DJB provided critical, life-giving, interim funding. (The Rockefeller Family Fund continues to fund a minority-intern program.)

Happily, CITIZENS and Ford have enjoyed a mutually satisfactory relation since the initial grant in April 1972. The relations between the Ford staff, who were helpful and supportive, and CITIZENS' principals were and continue to be cordial. The institutional relation became strong enough to survive a complete transition in CITIZENS' staff without any program or funding disruption.

Despite this happy ending and Ford's staunch support of CITIZENS and its programs, there are several aspects of this relation that indicate the extreme caution with which Ford approached the project. At the outset, it should be observed that the grant came not from the communications component of Ford, but from its National Affairs Division, a department used to dealing with social reform. The grant was processed and treated as a "public interest law firm." (This accounts in part for the long delay in negotiating the terms of the grant, the extreme caution with the composition of the board of directors, and so forth.) Thus its success was analyzed in terms of its legal record and program rather than in terms of its impact in dispersing media power. It also meant that the program was acceptable because it came at a time (1971-1972) when public interest law was very much in vogue, making it relatively easy for Ford to integrate CITIZENS into a ongoing program. But the one feature which most characterized obtaining funds is the incredible expenditure of time and energy, by the staff and the directors of CITIZENS as well as its many supporters in many reform movements across the country, put into obtaining the grant – and all of this in the face of (even perhaps because of) what was generally conceded at the time to be an organization that had broken virtually all track records for the length of time it had been in operation and the size of its staff.

Action for Children's Television

ACT is perhaps the most grass roots of the citizen movements in broadcasting. ACT began as a group of four mothers meeting in 1968. They were disturbed at the nature of programming for children and the nature and quantity of advertising directed at children. By early 1969 they had formed a nonprofit corporation and had tax-exempt status by the end of the year. Around the latter time, they also began working with the Citizens Communications Center to discuss how they might go about beginning to implement a reform platform they had devised.

By early 1970 this reform platform had become a subject of proposed rule making issued by the FCC. This proposed rule making received national attention: By year end 1970, it had generated a record influx of citizen support at the FCC.

With a national reputation, ACT succeeded in getting a life-giving grant of $6,000 from the Markle Foundation, a $1,000 grant from Consumers Union, and a $1,000 grant from the National Citizens Committee for Broadcasting. This extremely modest funding carried ACT until it got its first major grant ($164,000 for two years) in March 1971 from the Markle Foundation. Since then, ACT has been relatively successful in raising major grants (from Ford and Markle) and currently has a special grant (from Carnegie) designed to allow it to become a national, self-sustaining membership organization.

Several comments regarding ACT are in order. For the first two years of its existence, 1968 to late 1970, while it developed its major platform, became an organization with a national reputation, and began what was to become a rule making that generated more public participation than any other in FCC history, it did not have any foundation support. Its entire program was staffed, paid for and/or run by volunteers. Moreover, ACT was working in a substantive area that is as pure and innocent as . . . . well, childhood. Even so, there was extreme caution on the part of major foundations in terms of their willingness to become involved.

Media Access Project

MAP was formed in late 1971 to attempt to confront directly issues involving the right of direct access to speak on the media. The focus of its concern was more on establishing individual and citizen organization rights to speak via the media than on the general failure to render adequate broadcast services to a community. (In general terms, the latter was more the focus of CITIZENS and United Church of Christ, although both of them had projects that overlapped with MAP's and vice versa.) MAP also quickly developed an impressive record. Yet throughout 1971, 1972, and most of 1973, its primary support came from individual private philanthropists. Beginning in 1973, the DJB Foundation and the Rockefeller Family Fund began to play significant roles in providing support for MAP. The Rockefeller Family Fund has continued to be a major source of support, although the DJB Foundation has now exhausted its resources. However, in about mid-1974, the Markle Foundation began to be a major source of MAP funding and has continued to provide funding.

These are profiles of the four major continuing national groups that have attempted with any degree of success to confront the power structure of the media. Several generalizations are apparent. Most received their start from individual philanthropists or by volunteer efforts. Each of them had to establish track records of enormous proportions before they received any major foundation support. Their funding has, for the most part, come from a handful of relatively small foundations, such as DJB and Stern Fund. Of the major foundations, only Ford and the Rockefeller Family Fund (if the latter qualifies as a major foundation) have had significant involvement, and then almost never as a part of a communications program. Most obtained funding because of a combination of unique circumstances. Markle has been a late but welcome entrant to the field.

In general, these groups have been underfunded and understaffed. MAP, the Office of Communication, and CITIZENS carry enormous caseloads. They are probably turning away as many clients as they are helping. They lack the resources to carry on protracted proceedings where litigation expenses are high. They are, in short, simply not enough.

The Might-Have-Beens

It is in the refusal by the major foundations to fund certain projects that their failure to address public needs can best be measured. As discussed above, each of the areas where foundations have supported organizations engaged in challenging the maldistribution of power over the media have involved unique circumstances. But in the absence of such circumstances, organizations that were designed to enhance directly public participation in the media's setting of the national agenda have not been funded.

There are many examples of this, but it is possible to cite only a few of the more vivid examples. Two illustrations are used here, one involving a category of organizations and the other an organization that is representative of its genre.

The "Counter-Ad" Movement and Its Evolution

This movement takes its origins from a reasonably well-known 1967 FCC decision which applied the fairness doctrine to cigarette advertising. The commission ruled that cigarette advertisements touted the desirability of smoking, which by 1967 was a controversial issue because of the alleged public health consequences of cigarette consumption. The result was "anti-smoking" advertisements warning of the health hazards of smoking. (When Congress prohibited the broadcast of cigarette advertising, broadcasters quickly stopped airing the anti-smoking spots.)

By 1970 the notion that there might be "counter-ads" for many other products had taken hold. There could be "counter-ads" to "whiteners" and "brighteners," to high phosphate detergents, to pollution-causing high-test gasolines and the steel monsters that guzzle them, to the "over-the-counter" drug culture, to the nutritionally "empty calorie" foods, or to the desirability of energy-consuming appliances. In addition, new kinds of informational "counter-ads" might appear: ads that told people that Bayer aspirin is really medically the same as the 10-cent-a-hundred variety of aspirin; or that generic drugs are the medical equivalent of brand-name drugs; or that certain automobiles containing potentially deadly defects had been recalled; or that there were remedies for passengers holding reservations who were "bumped" from their flight because of the airlines' practice of "overbooking." The informational potential and the potential for a whole new level of debate on the virtues of a mass-consumption society were enough to take one's breath away – at least as effectively as mouth washes that don't kill germs.

Most broadcasters already carry a certain number of public service announcements – PSA's – which resemble commercials but which are donated to nonprofit service organizations. Most tend to be of a relatively noncontroversial nature dealing with issues such as the Boy Scouts, preventing forest fires, anti-litter campaigns, and the like. Without delving into the details of how the decisions are made as to which PSA's ultimately reach the public, it was plain that several steps were necessary to exploit the "counter-ad" potential for enhancing public debate and information through PSA's. To simplify, it was necessary to produce the counter or informational materials, to obtain some access to the decision-making process determining what messages reached the public as PSA's, and to persuade the decision makers to choose the proferred materials. No one assumed that the latter two steps could be taken by other than direct confrontation with broadcasters and advertisers because of the inherent threat this new breed of PSA posed to the economic base of commercial broadcasting.

Nevertheless, several groups did set themselves up to attempt the task. They were spurred on by a 1971 court decision holding that the FCC could not decline to follow its cigarette ruling in the case of products posing similar health hazards in their normal usage and using similar advertising themes and techniques. (The court however left it open to the FCC to retreat from the cigarette ruling, a course the FCC ultimately followed and which is now itself the subject of several legal proceedings.) The fate and evolution of these groups at the hands of major foundations dramatizes the unwillingness of the foundations to tackle the fundamental premises of power in society as they are reflected in the media, no matter what the public need.

One of the first groups to become active in this area was the Stern Community Law Firm. SCLF began as a community public interest law firm focusing on matters of particular concern to the District of Columbia. Funding came from the Philip M. Stern Family Fund, with Phil Stern being the motivating principal behind SCLF. Sometime in late 1970 and early 1971, it shifted its focus to communications matters, and by August 1971 it had zeroed in on counter-advertisements as its primary area of concern, with a related litigational emphasis on broadcaster censorship in response to advertiser pressure (or in the interest of good relations with advertisers) and individual rights of speech access. It opened a Los Angeles office whose primary function was the recruitment of the talent and facilities necessary to produce effective public interest PSA's for television, radio, and print media. To reflect its new focus, it incorporated as Public Communications, Inc., with a section 501(c)(3) tax-exempt organization and dropped its cumbersome title of Stern Community Law Firm/Stern Concern.[8] The notion was that PCI could combine its production capability of counter-ad PSA's with a legal approach to have them broadcast. It would thus help stimulate a new debate with the corporate and advertiser interests that dominated commercial broadcasting.

By mid-1972, PCI had a rather impressive track record. Not only did it have a rather substantial portfolio of PSA's produced and placed on the air, as well as some success in placing print ads discussing topics such as automobile recalls and generic drugs, but it had also come up with some innovative means for spreading public interest information. For example, it persuaded "Chicago," one of the nation's most popular rock groups, to insert into a major double-record album information on how 18-year-olds could take advantage of the recently passed law according them the right to vote.

Nonetheless, PCI was unable, despite an 18-month effort, to obtain any grants at all from any major foundations. Consumers Union and the Ottinger Foundation did make modest grants. But despite going through repeated updates of its proposal with an ever-growing portfolio of successfully produced and placed informational materials, and approaching virtually every major foundation, PCI finally folded in the fall of 1973.

At no point was PCI told its work was not good or that it was not engaging in a worthwhile project. Never was there a substantive criticism of the quality of either the legal or PSA production output. On the contrary, it received repeated praise, enthusiastic and encouraging responses, but no money.

I have personally heard a variety of explanations as to why PCI was not funded. Some of them border on the ad hominem and absurd.[9] But most of them relate to the project's being "too far out," "too radical," and so forth. No one questioned whether the program would or could be successful. All of the discussion I heard focused on the potentially horrendous consequences for the broadcasting and advertising industry if the counter-ad phenomenon were really to catch hold. In other words, it was potentially a threat to the existing economic and media patterns. (Parenthetically, the disastrous consequences and problems which everyone foresaw echoed the fears expressed by broadcasters and advertisers. The counter arguments of the proponents of counter advertising were either ignored, never publicly aired [for obvious reasons], or perhaps were found unpersuasive.)

PCI was not alone in its efforts to attempt to get a new breed of PSA's aired and into print (although its combination of the media-production/legal approach under one roof may have been unique). In late 1972, Public Interest Communications was formed in San Francisco. Operating largely on a grant from the Stern Fund, it also began to produce graphic materials and PSA's of the new genre. PIC built largely on the model of a 1971-1972 PSA campaign entitled "Unsell the War." The latter had been done under the auspices of Clergy and Laymen Concerned About the (Vietnam) War, with Frank Greer, later to become a principal of PIC, handling production. PIC produced both print materials and materials for broadcast, with Media Access Project providing legal/counseling advice on obtaining air time. As with PCI, the dominant theme was to confront directly highly controversial social/political issues, the primary difference being that PCI focused on counter-ads dealing with the corporate and advertising base of commercial broadcasting (plus PCI's much greater attempted use of legal leverage) while PIC focused on what was essentially social/political controversy, another anathema of the commercial-broadcasting nexus. These PSA's were a sort of special breed of "counter information" counter-ads.

There were several other developments during the latter half of 1972. Among them was a meeting held by the Rockefeller Family Fund. The meeting had involved several persons then active in the field of counter-ads and related legal problems (including the head of Media Access Project and the head of PCI). It also involved Ruder & Finn, a commercial public relations agency (with normal corporate clients) which began to become interested in the area. But Ruder & Finn were interested more in the public relations aspect of the public interest movement than in its "media" needs per se. Apparently, Ruder & Finn came away from the meeting with a sizable grant to do a feasibility study and public relations design for the "public interest" movement.

Foundation interest in media counter-ads, however, continued at a low level. As mentioned, PCI went out of business for all practical purposes in fall 1973. PIC managed to continue, primarily in the form of Public Media Center, an offshoot organization specializing in broadcast materials. The latter has continued to survive, specializing in media campaigns where there was an imbalance of media resources on one side of a highly controversial social/political conflict: nuclear energy development, the farm workers union disputes, the energy crisis and oil companies' profits, food day, and a project for the Center for Growth Alternatives emphasizing the hazards of a consumption-oriented society dependent on capital intensive technology rather than human values, to cite but some examples. However, PMC did not and still has not received any major foundation support. It has been kept alive by a cadre of private philanthropists, to whom it must constantly return for support, and by paying incredibly low salaries (I believe no one earns more than $8,000 annually).

The experience of PCI and PIC-PMC were not lost on other organizations considering the need for the new breed of PSA's. By early 1973 the counter-ad, counter-information area was itself beginning to undergo a change. A new group, the Public Advertising Council, appeared, at first largely dependent on a grant from a private philanthropist but with some small grants from some small foundations. PAC began what was a discernible shift both in the nature of the new PSA's being seen by foundations as well the strategies being employed to obtain funding.

Most notably the shift in the nature of the material presented to foundations can be characterized as a divergence away from counter-ads or counter-informational ads to what can be characterized as public interest-informational PSA's. The emphasis was no longer on the dangers inherent in a society increasingly dependent on over-the-counter drugs to relieve its ills, but on the far more amphorous and abstract dangers of "drug abuse," a term conjuring up hallucinogenics and needles being popped into veins; or on the difficulty in believing "that over ten million Americans live in [a closet]. Bankers, hard-hats, librarians, football players, maybe your father or mother, son or daughter – or perhaps even you. They're in here because of one word: homosexual." The ad went on to plug the Whitman-Radclyffe Foundation, an organization devoted to securing equal services and rights for "gay men and women." The public interest informational ads reminded us that

> Blocks make a neighborhood, and neighborhoods can be shared. If these kids [black and white playing together] understand it, we all can. Fact is, today anyone can live on anyone's block. So if you're looking for a place to live, don't worry about whose block it is. Fair housing means that any block is your block. It's your move.

And similarly, "[a]ll of us want the same things for our families . . . a safe, decent neighborhood . . . quality schools for our children . . . and the right to live wherever we choose." While some counter-informational ads continued – amnesty and clemency, made a legitimate topic of public debate by President Ford's actions after his ascension to the White House, were also the subject of informational ads – the dominant theme of ads presented to the foundations was public interest informational ads.

With the change in the nature of the ads came a change in the approach of securing funding to obtain them: work through the client groups rather than approach the foundations directly. The group desiring the media services would be told to go to its grantors or supporters to obtain additional funding for a media campaign. The money would then be used to purchase the services of the media organization. Groups funded, for example, by Ford and Carnegie have used this approach successfully, although neither Ford nor Carnegie has thus far put any money directly into public interest information groups. (Carnegie has recently made a grant to Ruder & Finn apparently for the purpose of working on the public relations aspects of several public interest groups.)

There is of course nothing wrong with client control; indeed there is everything right about it. But here it meant that only donees who had already been preselected by the foundations as meeting their philanthropic standards of public need would be in control of the production of ads. In other words, movements for social reform whose conception of public needs did not match that of the foundations had already been excluded. From the foundations' point of view, this minimizes the danger that the public interest communicators will be reflecting anything other than what the major foundations have already certified as public needs.

With the counter-ad movement metamorphisized into public interest communications, some major foundation interest has apparently been generated. Several foundations are now apparently discussing general support grants for organizations producing public interest information PSA's. And at least one "research" proposal on the impact of public interest information PSA's versus the impact of regular commercials has been invited.

Black Efforts for Soul in Television

One other case history is illustrative of major foundation failure to support efforts at meeting public needs through highly visible and controversial social advocacy. It involves the efforts of a group concerned about the media's failure to provide coverage and meet the needs of Blacks. Although this anecdote involves the efforts of Blacks and a Black group, it is only limitations of time and space that prevent the relating of similar events regarding the efforts of Latinos or other ethnic groups to build and sustain national media coalitions.

Unity House was formed shortly after issuance of the Kerner Commission Report, which documented the media's failure to report on minority communities. It was begun in May 1968 with a $15,000 one-year grant from the Greater

Washington Area Universalist Association, an arm of the Unitarian Church. Its purpose was to match its projects to the needs of the Black community. It quickly focused on media as its main project and was instrumental in working with and providing technical assistance to the groups that filed the first major license renewal challenge (against WMAL-TV in Washington) since the United Church of Christ landmark challenge of WLBT in Jackson, Mississippi, in 1964. But in addition, it quickly became a clearinghouse for Black groups interested in becoming involved in FCC regulatory processes that could affect TV and radio coverage and treatment of issues concerning minorities. It was rapidly projected into a position of national leadership in a wide range of matters affecting Blacks and the media. In addition to its continuing role of providing technical and educational assistance to Black groups across the country seeking to participate in FCC regulatory processes, it either began, played a catalytic role in, or itself carried out projects relating to media ownership by minorities, education of Black elected officials regarding cable television, entrepreneurial activities and potentialities for Blacks in the emerging CATV industry, increased Black employment in the broadcasting industry, new instruments of dialogue between Blacks and broadcasters, developing communications schools at Black colleges, and a regular system of monitoring and participating in FCC proceedings potentially affecting the broadcasting industry's relation to Blacks. It participated in and organized conferences, seminars, and workshops, and itself became a major resource for both the industry and the FCC.

As the thrust of Unity House's efforts concentrated on Blacks in the broadcast media, it adopted the acronym BEST – Black Efforts for Soul in Television – but continued to operate under the auspices of the Greater Washington Area Universalist Association. It also began in early 1970 to seek funding to add staff and facilities to meet the mounting demands placed upon it. It's funding efforts never succeeded.

In three years of effort, BEST approached virtually every major foundation. Some foundations did not even respond. Others did, but with immediate turndowns. With others, there were requests for clarifications and additional information. BEST went through several revisions of proposals, often in direct response to requests for specific amendments, and through painful negotiations. But it was all for naught. Apart from small grants (such as from DJB), it received only one grant of any consequence: a 1971 grant of $25,000 from the Merril (Safeway) Foundation (which was apparently facilitated by other work Unity House had done in an area of Black entrepreneurship of interest to Safeway).

In fairness, it should be pointed out that some BEST-initiated efforts did receive major foundation support. For example, Ford helped to fund (through Howard University) the workshop to educate Black elected officials on the potentialities and regulatory aspects of cable television. And Ford helped to fund a similar workshop to acquaint potential Black entrepreneurs with the potentialities and economics of obtaining and operating broadcast properties. But none of the funds from these efforts were used to offset BEST's expenses, overhead, or general support for the role it played in bringing about these events.

After four exhausting years of struggle, BEST, in essence, folded.

An Advocacy Movement Responsive to Public Needs

It is a reasonable estimate that before this decade is out, the major private foundations will have poured at least a half billion dollars into direct subsidy of public broadcasting, if one includes direct grants to stations, distribution arms, study commissions, and the like. (Ford alone reports expenditures of $250,000,000 as of 1973 with at least $40,000,000 more to be spent by 1977.)

For all the money, the effort, energy and tears that have gone into public broadcasting, it has not turned out to be what its creators had hoped, as some of them have acknowledged.[10] Obviously many problems have hampered it: political interference, internecine squabbling, power struggles, and, as much a cause of some of the other problems as itself a problem, no long-term funding commitment from the Congress. Equally obvious, there are aspects of public broadcasting that are and should be a source of pride to those who have devoted so much time, energy, and money to it.

But even so, except for the generally higher quality of its program fare, public broadcasting has become too much a mirror image of its commercial competitors, beset by many of their institutional infirmities and often being equally divorced from those it is supposed to serve. Typically, stations not licensed by state and local government or government-created agencies (which are controlled by the agency involved) have boards of directors that read like a "Who's Who" of the local "establishment." There have been repeated charges of censorship by public broadcasters, much of the cutting occurring in order to avoid offending the large corporations who provide funding in return for acknowledgements of their "institutional" support of programs. Yet the public broadcasting system continues to be defended (and in large measure supported) by the major foundations as though it were their prodigal child (as indeed it is) designed to respond to a felt "public need."

But as the Blacks, women, Latinos, Asian-Americans, and consumer groups who have been active in the movement to redistribute decision-making power in broadcasting will attest, it is not their public needs to which the public broadcasting system is responding. It may very well be possible to dismiss BEST, PMC, PCI, or any other examples that could be cited as having involved the "wrong" people, incompetents, persons of immature judgment, or lacking in substance, or so forth. But no amount of attack on the personalities involved can change the basic facts. It has been only a handful of smaller foundations – Stern Fund, DJB, and some others – and private philanthropists that have been willing to listen to other people's conceptions and perceptions of what constitutes a "public need" in the communications area. The other foundations, with the exception of the two or three major foundations mentioned here and under the circumstances mentioned here, have simply not been willing to fund projects that did not respond to their own preconceptions of "public need": the need for educational effort and the need for a "quality" or "cultural" alternative to commercial broadcasting as opposed to the need for redistribution, reallocation, and alteration of decision making, control, and economic power over broadcasting. If the major foundations had had the interest, the people would have been found or incentives to bring them forth would have been devised, as has been true in the arts and in education.

One can only speculate what would have happened had that a half billion dollars been devoted from the beginning to public advocacy to meet the same public needs to which the public broadcasting stations and the handful of advocacy groups are now attempting to respond. In the entire life of the citizen advocate movement in broadcasting, not even 1 percent of that amount of money has been spent. (And almost all of that has been spent in the last 5 years – after the broadcasting industry was itself a $4 billion-a-year industry.) Yet it is generally conceded, and all rough calculations show, that even though the citizen reform movement in broadcasting is a mosquito nipping at an elephant, it has stung hard enough to start the entire herd moving in desirable directions – or at least stimulated an enormous amount of public debate concerning in which direction the herd should be driven – in the area of "public need."

Looking back 25 years to the beginning of major foundation involvement in broadcasting, serious questions can be raised as to whether the initial thrust of major foundation involvement should not have looked toward defining the "public need" in terms of continuing incentive to the broadcast media to respond to those whose needs were going unmet instead of avoiding confrontation with the then-existing media baronies. Imagine the press conference in which it would have been announced that in the next 20 years, major foundations would spend a half billion dollars to assist groups to challenge existing media that were leaving substantial needs unmet, that these groups would be advocacy groups (such as PCI), constituent organizing groups (such as ACT), nonprofit groups who would be provided assistance in filing for the licenses of stations that were in the bottom 10 percent in terms of some performance criteria, groups who would monitor the FCC and file legal or other appropriate challenges to FCC capitulation to the industry, groups that would provide technical assistance to local groups desiring to wrest improved service from local stations, and a "counter-trade association" to the NAB to provide support and informational services to all these groups. Would there have ever been a need for a separate educational-public-noncommercial broadcasting system?

This of course indicates another point. Timing is critical. Entering the advocacy arena 20 years after the broadcasting industry had become entrenched and television the dominant communications medium is much different than attempting to ensure a more equitable distribution of control from the outset, a point to which we shall return in our discussion of cable communications. (Similarly, indecisiveness about the counter-ad movement led to a great loss of momentum. By the time the major foundations had made up their mind to move into the area, several unfavorable regulatory rulings had robbed proponents of the opportunity to accustom broadcasters to the notion of carrying counter-ads as an integral part of their PSA system.)

III

THE CURRENT REACTION TO EFFORTS TO MEET PUBLIC NEEDS IN COMMUNICATIONS

Assuming for the moment that there is some validity to the observations thus far, it is nonetheless easy to dismiss them as "perfect hindsight" or "sour grapes" over the failure of favored projects to obtain funding. These criticisms might be warranted, but for several factors. For reasons of time and space, only two are cited here: (1) the same errors are still continuing in the broadcasting arena, and (2) the same fundamental approaches that led to the present situation in the broadcasting arena are being repeated in the cable area.

Some "May-Becomes" in the Broadcasting Area

In spite of the work of the Office of Communication of the United Church of Christ, the Citizens Communications Center, Action for Children's Television, and Media Access Project, there are many public needs that remain to be filled in the area of broadcast reform. There are many proposals for projects and a few projects actually in progress that are attempting to fill some of these gaps. Again limitations of time and space prevent even a listing of these projects. But it is useful to focus on two as examples of the continuing funding difficulties encountered by organizations that do not fit the traditional mode of responding to what foundations perceive as public needs.

The National Citizens Committee for Broadcasting

Although NCCB has been around for several years, it was more or less in a state of suspended animation with little or no funding from 1971 until late 1973.[11] At that time, Nicholas Johnson, fresh from his post as a member of the Federal

Communications Commission, became the part-time chairperson of NCCB. Much of 1974 was spent developing a program for NCCB. Substantial planning grants came from the J.M. Kaplan Fund, the Stern Fund, the Benton Foundation; several smaller grants were also received, as were some contributions from private philanthropists.

In early 1975 Johnson began to devote full time to NCCB. The essential plan for NCCB, laid out at length in its formal proposal, was quite simple. First, it would publish a bi-weekly magazine analyzing and covering communications developments from a citizens point of view – a sort of citizens trade press. Second, it would serve as a "counter" National Association of Broadcasters, speaking out on national issues affecting the entire broadcast reform movement and engaging in the research and related project work necessary to support such an effort. It would attempt to perform at the national level and with the FCC what local groups were attempting to do at the local level. In essence, NCCB would serve as a focal point for a very loose confederation of media reform groups that could potentially form a constituency for reallocating and redistributing control over the decision-making processes affecting the media.

There are, to be sure, problems with NCCB's program. As has been commonly observed, there is likely no consensus of what kind of service the media should render, even apart from the First Amendment problems inherent in attempting to obtain it. On the other hand, it was not and is not NCCB's goal to find that consensus. Rather NCCB is concerned with the processes that affect media content. Its objective is not necessarily to reach consensus on what media should be doing or saying so much as to begin to deal with dispersing the power to resolve the nature of the media services to be rendered, to ensure that the media themselves remain open avenues of communication rather than closely controlled thoroughfares.

NCCB is experiencing great difficulty in obtaining funding. At the moment, it operates from financial crisis to financial crisis despite the expenditure of an extraordinary amount of effort in fund raising and dealing with foundations. It is perpetually faced with the chicken-egg problem:

> Why haven't you further developed, refined, and implemented your program?
>
> Because we have devoted all our energies to trying to stay financially viable and to getting *access* (the publication) off the ground.
>
> But you can't expect funding until you have a track record.
>
> But we can't develop a track record until we have funding.

Obviously this is an oversimplification. For one thing, *access* has been extremely well received. But a serious question is raised by the whole NCCB experience and by Johnson's association with it.

Johnson, of course, had been one of the most controversial, outspoken, and visible members of any regulatory commission. Whether one agrees or disagrees with his opinions, his style, his rhetoric or whatever, he had done something virtually unheard of in government. Instead of merely attempting to have the FCC discharge its regulatory functions, he had actively encouraged the citizenry to become involved in the agency's processes and to challenge those industry and agency practices that they found objectionable. He is generally acknowledged to be the most populist government regulator in history, and seems to evoke overwhelming public response. Why doesn't an organization with a program that is headed by such a person respond to a "public need"? This is not meant to frame the issue in terms of a referendum for or against Nicholas Johnson. Rather it is an attempt to focus on the criteria foundations are using when they define public need. The ability to evoke a response that potentially will yield a constituency for social reform that redistributes power and control should clearly be a major criterion.

It would be impossible to detail here the list of foundations to which NCCB has turned. It is well over 50, large and small. But no such listing, no matter how comprehensive, could adequately express the amount of energy expended and the frustration and anxiety level created by watching this process in operation. What the experience does reveal is that the major foundations develop their own notion of what is a public need, and it is that star that guides them, often irrespective of public response.

The Alabama Educational Television Commission

The State of Alabama operates a statewide network of noncommercial television stations, some with overlapping signals, carrying identical programming. In 1969 it had begun to exercise its programming control to exclude Black-oriented programs, for example, "Black Journal," from the air. The Alabama Educational Television Commission, the state agency that operates the stations, ignored the first informal letters of complaints filed by several citizens. In early 1970 it did respond to an informal FCC inquiry regarding the matter but still did nothing to rectify the program and other practices that had led to the complaints. In mid-1970 the complaining citizens secured legal counsel,[12] and by 1971 it was clear that AETC was in serious trouble. From that point on, AETC not only began to carry national programs relevant to its Black audience, but it began to develop some programming of its own and to consult with members of the Black community.

In January 1975, after a five-year legal battle, the FCC refused to renew AETC's licenses. It was the first time in history that it had refused to renew a broadcast license because of a licensee's discrimination against and failure to serve Blacks. By the time of the FCC's decision finding AETC guilty of earlier discrimination, the AETC had substantially reformed its practices. A gradual but continual upgrading of program service for Blacks, as well as other Alabamians, had ensued while the legal proceedings dragged on. The FCC therefore said that it would allow AETC to reapply for the licenses on an equal basis with any other applicants. It allowed about 70 days for new applications, an unconscionably short period for a newcomer to prepare an application but reasonable in view of the fact that nobody expected anyone except AETC to apply for any of the nine licenses involved.

While the ruling obviously created a major furor in Alabama, it also attracted national attention. It was historically significant in the regulatory context – the first time the FCC had ever lifted any licenses for discrimination in service. Moreover, it involved an educational-noncommercial broadcaster, rather than a commercial broadcaster, that had no economic reason to discriminate. Finally, the technical nature of the ruling created some rather widespread misunderstanding. Although the FCC denied the renewal applications of AETC, it did not order AETC off the air; AETC was allowed to (and is) continuing operation of the stations until final resolution of the proceeding. Of greatest significance, as observed above, the FCC explicitly left it open to AETC to reapply for the licenses. Thus, there was no danger of termination of public television service in Alabama: if AETC were the only applicant for the licenses, they would be reissued to AETC; if there were other applicants, the FCC would choose between the AETC and the other applicant to determine which would continue to supply program service to Alabamians.

Largely as a result of the efforts of one of the original petitioners to deny (a white, native Alabamian), a group of Black and white Alabamians did develop an interest in applying for one or more of the AETC licenses. This in itself was a bold move in the hostile, repressive, and retaliatory atmosphere of Alabama politics. Before surfacing publicly, they wanted some assurances that there would be financial support for prosecuting the application(s) and getting the stations on the air. At their request, a large number of preliminary inquiries were made as to the degree of support they might expect. The almost universal responses of foundations were negative. Why? Obviously, there are all the usual reasons: previous commitments, the recession, priorities, and the like. But the reaction of the foundation world to this group tells much about that world's fundamental attitude toward confronting and upsetting power relations.

One central feature of the deliberation about the funding decision (obviously fueled by the misunderstanding regarding the nature of what the FCC had decided) was why it was necessary at all for the FCC to rule the way it did. If in fact AETC had reformed and was now rendering adequate service to the Black community, why was it necessary to deny the previous renewal applications and have AETC reapply for its licenses? Why wasn't the petitioning group satisfied to have the licenses renewed as long as Blacks were now getting adequate service? The answers were simple enough. There was no assurance that this would continue in the absence of another five-year legal battle. No regulatory scheme would be viable if all an offender had to do to cure past derilections was wait until he or she was caught. But more importantly, here was a unique opportunity for Blacks to acquire their first control over a major educational TV broadcast outlet in a major city, and in the Heart of Dixie itself.

But, answered the foundations, those stations now receive state support. Turning them over to a new Black group which couldn't rely on state legislative appropriations would mean a need for constant support. Even assuming the validity of the premises – it is not clear the state would be in a position to cut off all support – so what if continuous outside support were necessary? What happened to the philanthropic commitment to education? And what about the potential of Black-controlled production and broadcast facilities as vehicles for developing the Black performing arts and culture? Weren't education and cultural advancement two of the major commitments of private philanthropy? Why isn't this Black-controlled educational broadcast outlet in the Deep South a major public need even in terms of the foundations' own criteria and reasons for entering public broadcasting in the first place?

Eventually a group did form and apply for and obtain an extension of time until August 1, 1975, within which to file an application for some of the Alabama public television facilities. (Needless to say, some members of the group have already begun to feel enormous pressure. The group itself has already become the target of several actions by the Alabama Attorney General.) But the group has no assurances of the foundation support necessary to meet the FCC's showing of financial ability to operate the stations. Whether it obtains those commitments will be a small but serious test of philanthropic commitment to even its own goals where maintaining that commitment involves it in a high visibility action-advocacy program that does something about addressing directly the present distribution of power over the media.

Cutting the Cable

As is fairly common knowledge these days, many of the communications problems of the past will be but distant memories if cable communications (or an equivalent technology) begins to realize its potential (although, needless to say, cable communications will bring problems and threats of its own). The major foundations foresaw cable's potentialities fairly early on and began to participate in overall policy formulation with regard to the new medium. But the pattern that emerged for participation in policy formulation to ensure that "public needs" were met incorporated many of the same mistakes that had been made in formulating public television policy.

The foremost error was to make the same assumptions that had been made in developing broadcasting policy: It would not be necessary to confront the existing media control patterns since cable would expand (infinitely) the number of outlets. What was necessary was to unleash cable. To be sure, the analogy to public broadcasting is inexact since cable did represent a threat to over-the-air broadcasters. But the foundations' perspectives and patterns of action that resulted do fit a similar mold.

To unleash cable, the foundations did the necessary reams and reams of studies and research papers. They demonstrated everything from cable's superior technological capacity to how it would, by its limitless channels, completely resolve the access and control patterns that existed in the current over-the-air media. Cable not only could convert channel scarcity into channel abundance and supplant over-the-air broadcasting. Cable had the potential for delivery of an incredible array of services. It offered the portent of two-way capacity that could render obsolete many existing institutions and practices. By 1970, there was talk of wired cities and even a wired nation, and even of cable systems that supplanted telephone service as well. In this part of policy formulation, the foundations did a superb job.

In addition to fulfilling its traditional role in the research area, much of foundation involvement has followed another traditional philanthropic route (which also parallels developments in the television area): to emphasize cable's potential as a cultural and artistic medium. Some foundations have been willing to fund—albeit at inadequate levels and without adequate commitment in some cases—projects to help develop experience in using cable and its accompanying technological innovation in porta-pak and video equipment. These, of course, are important projects. Organizations like Open Channel, the Alternate Media Center, and the Center for Understanding Media are providing vital experience and knowledge for that hoped for day of boundless channels, videocassettes, and the like. The channels will be useless to us if we have not developed the capacity to use them and understand their processes and how they impact on our lives.

It is not that foundations should stop supporting these institutions. Indeed the opposite is the case: They deserve greater support.

But alone, they will not resolve the problem of how media can be turned into an instrument that large numbers of people can control and use. This latter objective requires advocacy efforts. (And one significant aspect of those advocacy efforts should be directed toward developing ways to ensure that media centers are put on a long-range permanent funding basis.)

In fairness, it should be pointed out that foundations have not totally ignored advocacy in cable policy. They have entered the world where policy formulation occurs, as they had with public broadcasting. Several foundations submitted comments and testified in FCC proceedings that would determine the rules under which cable would operate.

The foundations even exhibited a willingness to tell people and groups how to advocate for improved cable service, what kinds of services to demand, what rights they had. A spate of handbooks dealt with citizen rights in the franchising process, in the post-franchising process, and so forth.

Indeed, the foundations came right to the edge of the water in terms of attempting to assure that power over the new medium would be equitably allocated. Ford and Markle jointly established the Cable Television Information Center to disseminate information about cable. But unhappily CTIC had a very limited mandate. Its purpose was to assist and provide information to elected or franchising officials and authorities in their dealing with cable companies. CTIC was not an "advocacy" organization, designed to aid in pursuing specific objectives by and for certain groups or members of the public.

The missing ingredient in the recipe for cable is advocacy organizations whose mission is to ensure that cable does realize its potential for meeting the public need for dispersing control over the media. The absence of these organizations has been sorely felt at both the local and national levels. Episodes from both levels are illustrative.

The Federal Level

The FCC first asserted jurisdiction over cable companies in the mid-1960s as a means of protecting broadcasters from competition. In essence, the commission wanted to ensure that cable companies did not offer subscribers out-of-town channels which would "fractionalize" the audiences of local stations. What began as a very limited form of regulation developed quite rapidly into an intricate set of rules. This was particularly so, as the very work being done by foundations and academicians made it clear that the technology of cable could radically alter the whole nature of our communications system.

In the meantime, the FCC, reflecting the broadcasting industry's views, continued to regulate cable as a supplement or auxiliary service to over-the-air broadcasting. But because of the cable industry's increasing penetration into American homes and growing political strength, the commission was under some pressure to do something to liberalize the rules under which cable systems operated. To this end, it had initiated a wide-ranging series of proceedings designed to set cable policy and rules and to establish cable's relation to the broadcasting industry.

In a rather unusual move, the FCC in summer 1971 delivered to the Senate Communications Subcommittee a statement setting forth the policies it proposed to adopt. Without going into particulars, it is sufficient to say that nobody was satisfied. The broadcasting industry, particularly the powerful big city network affiliates, saw the proposal as giving too much to the cable industry and possibly strengthening the position of the handful of non-network affiliated stations. The cable industry not only objected to the public service responsibilities that were to be imposed upon it; it also thought the proposal didn't go far enough in terms of allowing cable new growth alternatives. Moreover, the copyright lobby—primarily the movie studios—agreed with the cable interests in so far as the proposed rules had left the issue of pay cable unresolved. However, it felt nothing should be done until there was some clarification of the cable industry's copyright liability for retransmission of over-the-air broadcasts, a position echoed by the broadcasting industry. For reasons of its own, some political and some relating to long-range communications policy, the White House Office of Telecommunications Policy (OTP) was dissatisfied with both the plan and role the FCC had carved out for itself in it.

The result was a series of closed-door meetings, largely orchestrated by OTP's director Clay Whitehead with the acquiescence (if not concurrence) of Chairman Burch of the FCC. A new "compromise" was reached.

All of this history of regulation at the federal level has significance for meeting public needs for two reasons. First, in the meetings engineered by OTP there was no advocate at all for the general public. All of the financially "interested" parties participated in some manner or another in what was to be the major carving up of the cable pie for the next decade or so. Yet for all the work foundations had done on cable, for all their research, their participation in rule makings and oral arguments, they had not funded any advocacy arms to pursue "public needs" in the cable area when the political crunch that determines policy finally came along. There was no "public interest" advocacy organization for OTP to turn to for input even had it been inclined to do so. (Indeed the final compromise was the subject of a bitter exchange of dissenting and concurring opinions between Commissioner Johnson and Chairman Burch in which they disputed *not* whether the final cable compromise represented a capitulation to private interests [as opposed to the statutory "public interest" or the philanthropic "public need"] but which private interests benefited the most.)

The second reason why the federal regulatory history is significant for meeting public needs is what has happened since the 1972 "compromise" was adopted. Notwithstanding the lack of any organized public constituency, the FCC did impose certain public service obligations on cable operators. The most prominent of these are the "access" channel requirements, "two-way" capability, and minimum channel capacity. (In part, these were a response to broadcaster pressure. Broadcasters felt the access channels—one devoted to local government use, one devoted to educational use, and one devoted to access for members of the public—could help relieve some of the burden on them. The public service potentialities were also in part an enticement held out by the cable industry to induce public support and reduce broadcaster opposition.)

But there was a problem. Existing cable systems, built under a first generation cable technology, would not meet these specifications. Many systems already under construction or whose construction and financing plans were already finalized were in the same position.

The FCC adopted a very practical approach to resolving the issue. All existing systems would be "grandfathered" for five years (until 1977) to "rebuild" their systems to comply with the new requirements. Systems not yet in operation would be allowed to begin operations if they were in "substantial compliance" with the new requirements but, like the older systems, would be expected to comply fully with the new requirements by the 1977 "rebuild" deadline.

Needless to say, the FCC immediately began waffling on the public service requirements designed to ensure that the public needs for communications outlets would be met. Soon it was not necessary to "comply substantially" with the requirements; it was adequate if a cable operator's operations were "not flagrantly violative" of the standards. As if it were not enough to provide relief for individual cable operators under the "flagrantly violative standard," the commission has now decided to "roll back" the public service requirements for systems that will be required to "rebuild" to bring themselves into compliance with the public service requirements. And, in general terms, the FCC is presently considering whether some of the public service requirements other than access channels and in some instances minimum channel capacity should not be modified or eliminated for all systems, including new systems.

The Local Level

As mentioned above, Ford and Markle have funded the Cable Television Information Center to provide information to local officials engaged in franchising. But that amounts to funding part of the problem as well as part of the solution. Local officials are especially susceptible to the inducements and enticements of anxious executives of cable franchise seekers. And the awarding of contracts at the local level has never been a process noted for its openness or its freedom from corruption and political maneuverings.

Public need at the local level requires support for groups working to ensure that franchises for cable systems are not acquired solely to be sold at a profit with no enforcement of the requirement that the system be built by a certain time (if such a requirement is even included in the franchise), that franchises are not traded away for political favors, that projects such as Open Channel, Alternative Media Center, or the Center for Understanding Media receive adequate support from franchise revenue (a matter which requires coordination at the federal regulatory level), that access to the access channels is available to all, that there are sufficient funds from franchise fees for effective access programming to offset the local government's monopoly (an FCC requirement) over one of the access channels, that for franchising purposes the area be divided up in a rational way rather than to achieve political purposes. These objectives, particularly the latter three, are often inimical to interests of the local officials responsible for franchising decisions, no matter how much information they have about what should be in a "good" franchise and cable's potentialities. (Indeed the more information they have about cable's potentialities, the more difficult it may be for them to consider the franchise question dispassionately.)

Philadelphia is illustrative of the kinds of abuse that can occur and how advocacy from the outside can make an enormous difference in whether public needs are met. The situation there has become confused, and what follows is an attempt to describe it simply.

The city government first decided to issue franchises in 1964. There were apparently a large number of applicants. According to one version, the applicants got together and decided to carve up the city into six sections and picked the franchisee for each section, the other applicants being bought off. In any event, the city was divided into six franchise areas, and no one seems to be able to explain how the boundaries were arrived at. The franchise for each area was awarded to a different applicant.

During the 1960s all of the franchises lay dormant, apparently awaiting the FCC's rules. In the early 1970s Company A (Telesystems) built enough of its system to begin operations and therefore be "grandfathered" under the FCC's rules. It would not be required to "rebuild" to comply with the public service requirements adopted by the FCC in 1972 (some of which the commission is now considering repealing). Company A then sold a controlling interest in the company to Communications Properties, Inc. This was in direct violation of the franchise. The terms of the franchise provide that it cannot be transferred. But the city government did nothing to enforce the provision.

Thus encouraged, Company A (which continues to do business under its own name even though it is a wholly owned subsidiary of CPI) entered into contracts with Company B (Philadelphia Cable Television Company) and Company C (North Philadelphia Cable), the franchisees of two other sections of the city, which in essence give it effective control of Company B and C even if it falls short of legal title. This, too, is in seeming violation of the franchise provisions.

Company B and Company C then sought a ruling from the FCC that their proposed systems would be in "substantial compliance" with the 1972 rules. But a citizens group intervened, arguing that the illegal transfer voided the original franchises of Company B and Company C. Under the 1972 FCC rules, hearings are required to award new franchises. The citizens group wants new hearings at the local level so it can argue for a franchise agreement requiring better and more services from the cable companies. The FCC ignored the citizens group and ruled there was substantial compliance. It said it would not become involved in deciding the validity of the franchise under local Pennsylvania law. Both the "substantial compliance" ruling and the ruling that the FCC would not examine a franchise whose legality was questionable under its rules because of the local law question are being appealed to the United States Court of Appeals.

But in the meantime, the citizens group, for reasons which will become obvious below, had anticipated this ruling and filed an action in state court. They are seeking an order declaring the franchises void. That legal action is also pending.

The fourth franchise had been awarded to Jerrold Corporation. Sometime before Company B and Company C transferred control of their franchises to Company A, Jerrold sold its franchise to Company D (Sammons Communications). The city government had done nothing about this illegal transfer. When Company D had sought an FCC order declaring its proposed cable system would be in substantial compliance, the same citizens group had challenged the validity of the franchise. The FCC had brushed it aside because of the local law question. But when the citizens group appealed to the United States Court of Appeals, Company D had turned the franchise back in. Thus there will presumably be a new hearing on the franchise for at least one section of the city, with an opportunity for citizen groups to participate in the franchising process and bargain for decent cable service. (There is, however, a hitch. A dispute has arisen as to whether the franchise was actually turned back in. Apparently, Company A is trying to acquire the franchise from Company D.)

The fifth franchisee has done nothing with its franchise, except make an effort to sell it. There is no provision requiring any construction of the system, so little can be done about all of this. Only one company is actually pursuing construction of the system in the manner contemplated by the FCC rules and by the franchise.

The above is a highly simplified version of what has gone on; some of the major issues have been left out.

The moral is that the people of Philadelphia are, believe it or not, lucky. They have the good fortune to have had a community group which took an interest in the matter and was lucky enough to wander into CITIZENS at a time when it was starting up a cable project. (See discussion below.) As a result, they may realize some of the benefits cable has to offer. But it required a civic organization, engaged in constituency building, constantly probing at the local government, applying community pressure, and pursuing legal remedies to accomplish anything. And the battle is barely begun.

Meeting Public Needs in Cable Policy

Some of the existing foundation-funded media groups have attempted to assist in the cable area as well. The Office of Communication of the United Church of Christ has helped some local groups and published some handbooks. The Citizens Communications Center presently has no funds budgeted for cable, yet it has established a cable project which has at least one lawyer working fulltime (with others helping out) to assist groups at the federal, state, and local level. Thus far, no major foundation has provided funding for this project, and its future may be in danger.

Many of the other groups active in broadcast reform who have previously worked with the Office of Communication or CITIZENS have extended their interest to cable. Black, Latino, feminist, consumer, and other groups have a lively interest in cable and its possibilities. NCCB has become active in the cable area, particularly at the federal level. Some local groups and individuals have made heroic efforts to involve themselves in cable matters at all levels.

Together this rag-tag group has accomplished some things. But they have been largely overwhelmed.

What is needed is plain enough. The major foundations cannot sit back and wait for the blessing of cable to fall like manna. There must be a strong sustained commitment to challenge existing power structures to ensure that cable's benefits will be distributed to meet public needs in the communications field.

It is wishful thinking and blinks at reality to suppose that the cable industry is going to provide these benefits unless there is incentive to do so. The incentives can be provided by direct regulation of behavior. They can be supplied by establishing a regulatory framework that provides economic, regulatory, or even political incentive to provide the services necessary to disperse media power. But establishing and enforcing that regulatory scheme requires a commitment to advocacy, to taking sides, to confrontation, to redistributing control. It is not enough to recommend policy. Action is required.

And the action must come now. If the "Philadelphia Story" recited above shows anything, it shows that it is incredibly difficult to undo a *fait accompli*. The cable industry is already becoming highly concentrated in its ownership structure. It includes many of the same companies with established positions in media: broadcasters active at both the local and national level, publishers active at both the national and local level in both newspaper and magazine and book publishing. As discussed above, one can only speculate what the broadcasting industry would look like if we could start over with effective action to spread control over the media into more hands. Let us not make the same mistake with cable and other emerging technologies.

IV

CONCLUSION

This paper has not said nearly enough. It has been impossible to describe the specific activities of even the national groups discussed in this paper. And there remain the hundreds of groups at the local level whose activities we have not even discussed: the Community Coalition for Media Change (Berkley) which conducts intensive and what some describe as coercive consciousness-raising sessions on racism in broadcasting and engages in a wide variety of activities on virtually no budget; the Committee for Children's Television (of San Francisco) which raised the money to stage a children's television fair attended by about 20,000 people and covers a broad range of areas related to children's programming; the community access radio station in Portland, Oregon, whose manager is quitting because he's tired of meetings to raise money and of operating at half budget; the Colorado Committee on the Mass Media and the Spanish Surnamed, which without receiving any money has for over four years conducted a statewide program for improved media services for Latinos; the Seattle community access station that has given up on foundations; the Black Citizens for Fair Media of New York which has been involved with every television station in the city for five years and never received any foundation money; and on and on and on. . . .

Nor has it been possible to examine the nature of the research supported by the foundations. But why has there been no foundation support of radical social research on the media, such as the Network Project (a group of New York-based researchers)? At a more conventional level, where are the game and decision models for citizen group-broadcaster bargaining situations that could help citizen groups understand the dynamics and outcomes of the situations they confront; where is the study of the relative effects and impact of Free Speech Messages (short direct access editorial expressions by community groups) versus public affairs to assist media activists in knowing what to bargain for; where is the study trying to isolate the impact of license challenges on employment, or news programs?

The central point remains. If foundations are to respond to the myriad public needs in the communications policy area, they must commit themselves to action and advocacy that involves consciousness-raising about the media, organizing efforts, constituency building, legal action, and a multitude of other activities. Perhaps the particular projects discussed here are indeed the "wrong" ones and involve the wrong people, the wrong leaders. But to reiterate, if the foundation commitment is there, the right people can and will be motivated to come forward or can be found.

Although not strictly within the bounds of this paper, the most effective advocacy of all must be addressed. It would be unconscionable for the Filer Commission to fail to address the issue of lobbying. Effective advocacy requires the ability to prevent hard-fought victories from being legislated away. At a minimum, the Commission must recommend that charitable organizations be allowed to lobby in their area(s) of expertise or with regard to any matter where the organization is providing services to a client.

One additional factor, also not strictly within the scope of this paper, bears mentioning. This paper has focused on cable and broadcast policies. But to a large extent the same interests that exercise control over broadcast and/or cable within particular communities also control (by common ownership or otherwise) the dominant newspapers in these communities. While the different regulatory structures of newspapers and broadcast media require different approaches to resolving the problem of control over media content, it would not be surprising if the same timidity, elitism, and disinclination to tackle powerful interests account for the similarity of outcome: an unwillingness by major foundations to tackle the underlying maldistribution of power over media and the corporate and advertising bases which support it. While much attention has been focused on the demise of and problems that have beset the major metropolitan dailies, there has apparently been virtually no foundation interest in counter or public interest alternate media. Where there should be a foundation interest in alternate forums, foundation support has been lacking. As Frank Pollock, editor of *Media & Consumer*, puts it: "They [charitable foundations] say the circulation potential [of *Media & Consumer*] is very positive but they would rather fund a study on why news magazines die."[13]

The closing note must be that foundations have a particular responsibility with regard to meeting public needs and insuring public participation in policy making in the media area. In more than any other area of philanthropic activity, this is an area where government efforts to promote advocacy are, perhaps rightfully, suspect. A critical variable in determining the agenda for private philanthropy in meeting public needs should be the likelihood and appropriateness of governmental involvement and support for the activity in question. When this latter factor is weighted in, there is no alternative but for foundations to assume their obligation to respond to the public need for greater involvement in and dispersion of control over the processes affecting the availability and content of media.

Appendix

Statement of Lorenzo W. Milam
(June 13, 1975)

I was station manager of radio station KRAB, Seattle from its founding in 1962 until April, 1968.

KRAB was the first non-commercial, listener-supported open-access radio station outside of the Pacifica Foundation — and during that period (as now) prided itself on its free-forum programming, with staff and board which was socially, sexually, and racially integrated to the fullest.

During that period we also — under the aegis of the parent corporation — sought to start a similar radio station in Portland, Oregon. That station, KBOO, went on the air in 1968 under the aegis of The Jack Straw Memorial Foundation.

At the same time, Jeremy Lansman and I established yet another free-form open access FM station in St. Louis, Missouri. That station, KDNA, went on the air in early 1969. A fourth station, KTAO (Los Gatos, California) was purchased in 1969 — with largely non-commercial, open-access programming which continued until 1974.

In the twelve or so years that I was associated with these stations, I would guess that we made contact with over 200 foundations seeking support for our unusual idealistic programming. Approaches were made in a formal fashion — with 50 page brochures and specific grant requests and, as well, in informal contact with telephone calls and letters.

Specifically in 1965, I travelled to New York City with 25 carefully worked applications which I presented to a variety of foundations, including the Ford Foundation, The Rockefeller Brothers Fund, The Carnegie Foundation, and a host of smaller organizations. The request was for capital funds to increase the power and height of KRAB, and to help start the station in Portland.

Again, in 1972 — we sought out many foundations for help with the funding of KDNA in St. Louis. The station was losing so much money that we decided either to (a) turn it over to the board of listeners for our costs in establishing it, or, failing that, (b) to sell it so that we could try to set up a group of similar stations.

In our attempt to fund the station through foundations, we made contact with at least fifty local and national foundations.

Again, during several financial crises situations, we sought foundation help for KRAB and KBOO from northwest based organizations. And, during the period from 1971 - 1974 – we sought foundation help for KTAO to continue its programming, and for funds to construct and operate KPOO in San Francisco (which station was eventually set up on a minimal budget and turned over to the minority community of that city.)

In all these contacts we made over the years – we received help from two organizations, for a total of $20,000. Lack of funds forced sale of KDNA and KTAO. The other stations continue to limp along on wretched budgets – $15,000 - $20,000 a year.

Of course, we tend to see our work as being sublimely important: we think that the essence of American democracy is free speech, and radio stations which will seek the *vox populi*. Our presentation to the foundations may have been lacking in form if not in enthusiasm. There may be other projects in American life which are more needy.

Or – it may be that the controversial nature of the stations involved scared away appropriate funding. It may be the same factors that caused the FCC to investigate the programming of KRAB, or got the local police involved in putting KDNA under survelliance, or made the city government of Los Gatos shun KTAO – May have scared away all possible institutional contributors to the various stations. Listeners – individually – have been vociferous in their support of these independent often antagonistic voices in their communities. But national and local well-financed organizations have stated (by their lack of support) their distrust of the robust, wide-open radio that these stations have come to represent.

Footnotes

1. The substantive discussion must be qualified by a few caveats and background statements. This paper has been prepared under severe time limitations: only a few consultant days were allocated to this project. It has obviously been impossible to make other than even the most surface exploration of individual experiences. Much of the discussion is therefore general in nature, altough specific examples are provided. Almost all contacts were by telephone. Moreover, a not insubstantial amount of hostility and unwillingness to cooperate was encountered from some of the people interviewed. They simply were fed up with the "foundation game" and were unwilling to go back and search their files. Even some people who were willing to cooperate didn't have the time to do a thorough job of reviewing files to obtain a complete list of the foundations they had contacted. Most people were willing to talk from memory, but a few wouldn't even be bothered to do that. Some regarded their funding information as "proprietary," and wouldn't divulge it. Finally, this paper does not cover church funds or individual philanthropists.

2. As used here, "communications" means public communications through the telecommunications media rather than private or individual message delivery (such as is provided by telephone service) or any form of esoteric discipline such as linguistics, psychology, extra-sensory perception, and the like, or any form of inter- or intra-personal direct or indirect communication.

3. See Peter Schrag, "The Boondoggle Boys: Douglass Cater's Secret Mission," *MORE* (June 1975), Vol. 5, Nos. 6, 10, 14.

4. Radio simply does not seem to be recognized as a major art form. The American Film Institute has recently announced a program to encourage and facilitate location, preservation, and archiving of all major national television series and news broadcasts ever produced. No comparable program exists for radio, although a broadcasting foundation has been deliberating starting such a program for five years, and a recently started program to preserve artifacts of popular culture will attempt to archive selected current radio programming. Major foundation funding for local community radio stations has been virtually nonexistent according to Lorenzo Milam. Milam has helped found many such stations across the country. Local foundations have been somewhat more responsive to local stations. See Appendix.

5. Office of Communication of United Church of Christ, *In Defense of Fairness* (1970).

6. *Racial Justice in Broadcasting* (1970).

7. The author of this paper founded CITIZENS but is no longer associated with it (except as an unpaid member of the board of directors). Obviously, this is a pertinent factor in evaluating this discussion.

8. The latter had been added to reflect the broadened "concern" of SCLF into the area of public interest information dissemination.

9. "The Executive Director (Tracy Westen) looks silly with a conservative suit, but a wild tie and a wild curly head of hair," or "the project is an ego trip for Tracy Westen and Philip Stern."

Ironically, several foundations had objected to the name "Stern" appearing in the name of the organization. As someone *not* associated with PCI later quipped, it was indeed rather ostentatious for Stern to have his name appear in the organization's name. "It's as though an automobile magnate, or an oil magnate, or a railroad magnate endowed a foundation and insisted on the foundation being named after him." In any event, Stern's name was subsequently dropped from the title of the organization when it became PCI, and it still received no funding.

10. Address of Arthur L. Singer, Jr., to Public Broadcasting Conference, Boyne Highlands, Mich., (in collaboration with Stephen White) reported in *Broadcasting*, "Is an Elite Taking Over ETV" (July 12, 1971), p. 40. See also "Public Broadcasting: The Choice Becomes an Echo" in Kramer and Oppenheim, "Policy Without Principle: A Study of the FCC" (1973); Steve Millard, "Special Report: The Story of Public Broadcasting," *Broadcasting* (November 8, 1971), p. 30.

11. The author has been an officer and director of NCCB since January 1974, but receives only a nominal fee from NCCB and is not in any way dependent on NCCB for his livelihood.

12. The author was counsel for the groups challenging the stations' license renewals.

13. Quoted in William Rice, "The Price of 'Media and Consumer'," *The Washington Post* (May 25, 1975).

FOUNDATION GRANTS TO CORPORATE ACTIVIST GROUPS: THE DONEE PERSPECTIVE

Philip W. Moore [†]

Introduction

This paper concerns the fund-raising experiences of various "corporate activist groups." Our study includes those public interest groups that have as part of their function some form of educational activity concerning the role of corporations in society. It should be pointed out, however, that there are two kinds of corporate activist groups: One is primarily concerned with conducting studies, doing research, and preparing reports on corporate activities and the influence of these activities on society; the other focuses on action vis-a-vis the corporation.

The distinction between these two types of groups, particularly in terms of fund-raising experiences, is extremely important. Most of the research organizations have survived, and indeed, many have thrived. While it would not be fair to conclude that the research organizations have been "co-opted" by the subjects of their research, there appears to be less of a bite to the hand that feeds them if a report, rather than a specific activist project, is the objective. The activist groups have for the most part passed on into obscurity. There are no groups surviving today that have as their primary function corporate action. Since 1970, when corporate groups began to grow in number, there have probably been no more than 20 such groups in the country.

For our purposes, corporate activist groups include only those set up to deal with the corporation as an issue, rather than with some other substantive social issue.

Scope of the Study

In preparing this report I have drawn on my own experiences with the Project on Corporate Responsibility and have interviewed a number of people who are knowledgeable about the subject of this study, including Frank White, director of the Interfaith Committee on Corporate Responsibility (a division of the National Council of Churches), and Alice Tepper-Marlin, director of the Council on Economic Priorities. I have discussed the financial history of the Project on Corporate Responsibility and its sister organization, the Center on Corporate Responsibility, with Philip Sorensen and Susan Gross and have reviewed a funding file of the project and center. I have also reviewed the funding histories of the Council for Corporate Review, a Minneapolis-based corporate action group, now defunct; the Council for New Corporate Priorities, a California-based corporate activist group; and Project Standard Oil, an organization built exclusively around the Standard Oil Company of California.

One of the difficulties encountered in preparing this report was the small number of corporate activist groups still in operation. Time constraints made it impossible to track down many of the former personnel of now-defunct groups. Thus most of the report, except those parts concerning the Project on Corporate Responsibility, Council on Economic Priorities, and Interfaith Center, is based on past experience, notes, and brief discussions with individuals I could locate.

[†] Easton, Maryland.

Summary of Findings

The research has lead to the following conclusions:

1. Corporate activist groups may very possibly have the most dismal fund-raising experiences in the history of public interest groups. One reason for this bleak history is unquestionably that corporate activist groups have an apparent tendency to bite the hand that feeds them, and the major foundations have little inclination to support such organizations.

2. Those organizations that have survived have done so primarily because they are research and report oriented.

3. Some organizations are better able than others to support themselves with independent sources of income: sale of research studies, sale or subscription of services, membership (such as the churches) or the funding ability of a single person (such as Ralph Nader).

4. Corporate activist organizations have been more successful in raising funds for programs and proposals related to substantive issues of concern to the different foundations.

I

CORPORATE ACTIVIST GROUPS: BACKGROUND

With the exception of Saul Alinsky and Ralph Nader, there was very little focus on corporate activity prior to 1970. The civil rights and anti-war activities of the 1960s evolved into political action groups which generally did not focus on corporations. Saul Alinsky, with the help of churches, did develop in the late 1960s the FIGHT program in Rochester, New York, aimed at changing the practices of corporations and holding corporations accountable for their actions. FIGHT was one of the early efforts that used church investments as a tactical weapon of corporate activist groups. There was also some focus on corporations during the civil-rights actions of the 1960s, notably the Mississippi Power and Light Company, which in 1963 was the target of some civil-rights activities. And, of course, Ralph Nader's consumer safety efforts, while fought in a public forum, involved the responsibility of major corporations for public health and safety. While these efforts were to some extent concerned with corporations, they never evolved into corporate activist groups as defined in this report.

In August 1969 two separate developments gave impetus to the formation of groups focusing on corporations. One was an outgrowth of the Nader concept of corporate responsibility for safety, the other an outgrowth of the concept of stewardship in relation to the churches' control of their investments and the religious implication of an investment portfolio. It was the churches that more than any other group first confronted the issue of the investor's responsibility for what corporations were doing. In addition, the growing demand for public interest litigation groups led inevitably to the formation of a Saul Alinsky-type public interest organization.

II

THE PROJECT ON CORPORATE RESPONSIBILITY

In the Spring of 1969 a group of lawyers got together to discuss the possibility of setting up a permanent Saul Alinsky-style organization that would focus on the accountability of private corporations. The genesis was twofold: Philip Sorensen, then executive director of the Irwin-Sweeny-Miller Foundation and Cummins Engine Foundation, had been working with and providing financial assistance to Saul Alinsky organizations. From the perspective of a donor, he believed that a substantial budget should be provided to a single organization for the purpose of giving voice to the public vis-a-vis corporations. At the same time, some of the lawyers associated with the Center for Law and Social Policy, a new organization, were discussing the possibility of promoting the election of a "public member" to the board of directors of a major corporation. The objective of this campaign was to highlight the lack of public accountability of large corporations. These lawyers got together with Sorenson, and the result was the establishment of the Project on Corporate Responsibility (the Project). Sorensen asked representatives of other foundations if they would join in supporting such an organization. Representatives of Carnegie, Field, New York, Stern, and Ford foundations indicated their support for the idea, and armed with this, Sorensen approved a proposed grant for the Project on Corporate Responsibility. Staff was hired and the Project began to put together Campaign GM, its first endeavor. In December 1969 Sorensen was informed by Irwin Miller that he would not approve the grant because the objectives of the Project would constitute for him a direct conflict of interest, requiring him to resign his board positions in several major corporations. As a result the grant was not made, and the Project experienced the first of many fund-raising shortfalls.

As of February 1, 1970, the Project's staff numbered four. Its budget, based on the original proposal, was $250,000, and it had no funds and no forthcoming grants. Had the staff not been willing to remain on a voluntary basis, the Project would never have been realized.

Around this same time, Alice Tepper-Marlin was putting together the Council on Economic Priorities (CEP). The council was established essentially as a research organization to assist the public and shareholders in assessing the social performance of various corporations. When the Miller grant fell through for the Project, its members approached the Stern Foundation and the Field Foundation, two smaller foundations with reputations for providing seed-money grants and supporting novel and interesting new ideas. The CEP also approached these two foundations, and at the request of Philip Stern a joint meeting was held in January 1970 with the CEP, the Project, and the Stern Foundation. The foundation representatives wanted the Project to explore the possibility of merger with the council. Because the two organizations, though friendly and sharing similar goals, saw their mandates as being quite different, no merger was accomplished.

Ultimately, the Stern Foundation provided a seed-money grant of $30,000 to the Project. The money was received in late April, at which time some $18,000 was disbursed for salaries and other office expenses. Stern also gave a second grant of $30,000 in the Fall of 1970, which was to carry over into the next year. The Project's first effort, Campaign GM, was a successful public relations venture and generated a tremendous amount of publicity, some good will – and controversy.

The Project on Corporate Responsibility survived for the next three years almost exclusively on the basis of the good will that grew out of Campaign GM. Following this program, the Project was asked to assist various groups in exploring the responsibility of corporations for migrant labor practices. It had previously done research and submitted testimony at the invitation of a congressional committee concerning migrant workers in Florida. This testimony, like Campaign GM, generated publicity and good will among potential funders.

More important to the funding prospects of the Project, it had opened up an issue of substantive concern. The Field Foundation, which has historically been concerned with the economically disenfranchised, the poor, Blacks, and other minority groups, provided a $45,000 grant to the Project in late 1970 to conduct the Agribusiness Accountability Project, a program that had been developed from the migrant labor project in cooperation with the Center for Community Change. It was couched in terms of the concerns of the agriculture industry, and was designed specifically for the Field Foundation. Much of the fund-raising difficulties of corporate activist groups is exemplified by the experiences with Field. By and large, it was easier to raise money for a substantive program than for a project focusing on a particular corporation.

1970 was in many respects the most successful fund-raising year for the Project. It had the benefit of a good idea that had been well publicized and well implemented; it had received seed-money grants which increased its chances of receiving other grants from major foundations. (Problems encountered by the Project in later years made fund raising increasingly difficult, and eventually brought to an end all fund-raising activities.)

In 1970 the Project raised $82,295. Of that, $75,000 came from two foundations ($60,000 from Stern and $15,000 from Field). (In addition, a portion of the Field grant to the Center for Community Change was allocated to the Agribusiness Accountability Project.) From January 1970 through September 1970, the Project's staff consisted of a director, administrative assistant, research director, and press assistant. Beginning in September 1970, the staff was increased by three because of the Agribusiness Accountability Project. The Project also hired part-time staff and supported a student-intern program. 1970 expenditures were approximately $62,000, leaving a carryover into the following year of $20,000.

In 1971 the Project raised a total of $68,381. Of this amount, $45,000 came from foundations – Norman Foundation, $20,000, New York Foundation, $10,000, Field Foundation,$15,000 – and the balance came from individual contributors. Expenditures for the year totaled approximately $84,000.

1972 was a watershed year for the Project. A total of $56,000 was raised in that year, $23,000 of which came from a Stern Foundation grant (individual contributors accounted for the remainder). The staff was substantially increased on the basis of a promised $125,000 per-year grant from the MacIntosh Foundation. In the latter part of 1972 and throughout the first few months of 1973, the Project also received some $50,000 from Stuart Mott to scrutinize corporate political contributions. Like the earlier Field grant for migrant workers, the Mott grant was one specifically earmarked for a substantive program.

Because it was unsuccessful in securing tax-exempt status, the Project closed its doors in May 1973. It did raise $10,000 from the Ottinger Foundation in that year but most of the funds were spent on a lawsuit and administrative matters.

No report on the fund-raising experiences of the Project would be complete without a discussion of the tax-exemption problem. The Project originally filed for tax exemption as a 501(c)(3) organization in 1970. In response to the application, the IRS requested that the Project divide its activities between those involving shareholder activities or proxy contests and those involving research or public interest information. Thus in 1971 the Project began to restructure itself into two organizations: (1) the Center on Corporate Responsibility, which would be tax exempt, and (2) the Project on Corporate Responsibility, which would not be tax exempt. Reorganization was completed in 1972, and although it was done in accordance with the IRS request, the IRS still refused to rule on tax exemption. In May 1973 the Project filed suit. In December 1973 the federal district court declared that the center was tax exempt, and ordered the IRS to issue a tax-exemption letter, which it did in March 1974.

After receiving the tax exemption, the center sent out a proposal for support to more than 40 foundations. The appeal was unsuccessful, despite the center's tax-exempt status. The center became inactive after December 1974, with the exception of some volunteer work or work that was contracted out for special projects.

On the basis of assurances from IRS that tax exemption would be granted, the center had in 1972 expanded its staff to more than 13 people, including 3 lawyers, 2 codirectors, and a substantial research operation. Moreover, the Project had received a grant commitment from the MacIntosh Foundation for $41,000 in 1972 and $125,000 for each of 3 years thereafter. In early 1973 when tax exemption still had not been received, the MacIntosh Foundation advanced $25,000 of its grant and then informed the center that it would no longer honor its commitment. As a result, the center discharged all of its personnel and operated from May 1973 on with part-time volunteer assistance.

During its five years, the Project sought grants from more than 100 foundations, and in each of those years, sought grants from the major foundations, including Ford, Carnegie, the three Rockefeller foundations, Sloane Kettering, Lilly. In most instances the Project received no reply at all. Other foundations (among them, Ford, Carnegie, and Rockefeller) with whom members of the Project had closer relations, did respond, but the response was invariably negative. In the early years, foundations pointed to the lack of track record as the reason for refusing funding requests, but later, after two or three years of Project activities, the majors said that they could not give a grant to an organization that lacked tax-exempt status. However, these foundations did not give any substantial grants to the Center on Corporate Responsibility, after it had been established as the tax-exempt arm of the Project. The reasons for this can only be surmised, but it is likely that they were related to the activities of the Project, namely, the proxy contest and other actions aimed at corporate accountability.

III

COUNCIL ON ECONOMIC PRIORITIES

The Council on Economic Priorities was formed in 1969 by Alice Tepper-Marlin, with the help of a $20,000 loan and a $5,000 gift from one individual donor. The purposes of the council are to prepare comprehensive reports on the activities of different corporations in specific social fields. These profiles are made available to subscribers and purchasers, most of whom are institutional investors or other individuals concerned about specific issues involving the corporations in which they are invested.

While not activist in the sense that the Project was, the council has a tactical impact on corporate conduct by serving as a moderating influence on corporate decision makers through its reports. In some respects the council is in a unique position among corporate activist groups because it can generate grant monies as a tax-exempt educational organization and can generate income from its research reports.

The initial loan and contribution to the council in 1969 carried over into 1970 and enabled the council to secure additional funding. In the first year, the staff consisted of one full-time person, plus part-time assistance; two researchers and secretarial assistance were added in 1970. The council applied for and received its tax exemption in 1970.

The council has received and spent money as follows:

- In 1970 its earned income was $28,500; donations were $13,500. Part of the proceeds from the $20,000 loan were used in that year.
- In 1971, earned income was $61,500; donations or grants, from the Rockefeller Family Fund, the New York Fund, the Norman Fund, and the Ottinger Fund, totaled $82,500.
- In 1972 the council received $96,000 in earned income and $109,000 in foundation grants from DJB and POINT.
- In 1973 earned income was $97,800 and foundation donations, $152,000.
- In 1974 earned income was $69,200; donated income was $187,600, including one $50,000 two-year grant and a major grant from the Rockefeller Brothers Fund.

The council's earned income in 1975 was expected to be $93,000, with committed grant income of $172,000, including the Rockefeller Brothers grant and a $50,000 grant from an undisclosed foundation. The council's budget has grown from $20,000 in 1969 to $250,000 in both 1973 and 1974.

The council seeks grants on the basis of specific projects. While grant money received is rarely earmarked for a specific research project, it is often given on the basis of a proposal related to the individual grantors' concerns and grant-making policies. This fund-raising strategy enables the council to adapt to changing concerns and to appeal to a broad range of social and political philosophies among the various foundations.

The council also earns a substantial portion of its budget from its research work, which has made fund-raising considerably easier. While the council never expects its earned income to support all of its budgetary needs, many foundations have looked to the earned income as a basis for giving general operating support.

There is some concern that many of the council's significant grants are one-time grants. For example, DJB gave a one-time grant, so did Ottinger, the POINT Foundation and the Rockefeller Family Fund. For each of the years since 1970, the council has received at least one $50,000 grant as a one-time grant.

Over the years, the council has applied for grant funds from all of the major foundations, including Ford, Carnegie, and Rockefeller. Not once have they received any money from these foundations. The Rockefeller Brothers Fund did begin support in late 1974 and has indicated that support will continue through a revolving fund grant, which would assure the council of its cash flow needs throughout the year.

In late 1971 a research organization, the Investors Responsibility Research Corporation (IRRC), was created to serve the specific needs of major institutional investors, including churches, foundations, universities, mutual funds. Its mandate was to study the issues in different proxy contests requiring a vote of these institutional investors and to issue reports on the merits of the proxy questions.

The Council on Economic Priorities (and to some extent the Interfaith Committee on Corporate Responsibility, discussed below) initially viewed this development as a threat to its function and as a possible preemption of its own fund-raising possibilities. Most of the foundations that had refused to support the efforts of the Project or the council were the primary proponents of IRRC; Ford, Rockefeller, and Carnegie were the major funders of the new organization. The corporate activist community viewed it as an effort to preempt a large part of the reporting functions of the council. (According to Alice Tepper-Marlin, the one area where the CEP and IRRC were in fact competitive was the annual reports on upcoming proxy contests. IRRC and the council now seem to have dovetailed their functions.)

The view has been expressed that Ford, Carnegie, and Rockefeller Foundations have and continue to fund IRRC at the expense of other corporate activist groups. Indeed, all of the top ten foundations have preferred to support IRRC instead of the other groups. When asked why the majors did not contribute, the director of the council, like members of the Project, could point to no specific reason. The council is tax exempt, is involved in research and educational activities, is engaged in no specific shareholder or other corporate action programs, and has an established track record of issuing well-researched, well-written reports on issues of social concern. Yet, it has received no money whatsoever from Carnegie, Ford, or Rockefeller Foundations.

One other interesting aspect of the council's financial history is that it has received no money from the Stern or Field Foundations, and only relatively small amounts from Norman, New York, and Ottinger. All of these foundations are considered seed-money foundations. Stern and Field, because they are relatively small, must make choices among the organizations and causes that they will support. Their choice in the corporate field was to support the Project on Corporate Responsibility apparently because of the activist perspective of the Project and its dire need for funds. Norman, New York, and Ottinger have supported, at one time or another, both the Project and the council.

IV

THE INTERFAITH COMMITTEE ON CORPORATE RESPONSIBILITY

The ICCR grew out of the concern of various churches belonging to the National Council of Churches that their investment portfolios should be managed in a way consistent with the ideas and religious goals of a church organization. It was initially set up to study the churches' portfolios.

In 1971 ICCR decided to seek support from sources outside the National Council of Churches. It prepared a proposal for a major study of church investments. The Rockefeller and Ford Foundations approved the proposal initially and then later stated that they would finance the proposal on the condition that all information be kept secret. The ICCR turned this down, and subsequently, Stephen Farber at Harvard University set up the previously mentioned Investment Responsibility Research Organization, which in essence became the institutional tool for studies on the social responsibility of corporations.

ICCR shifted its fund-raising appeals to smaller foundations, and it became more activist oriented. The Bernstein Foundation granted $5,000 and the Polaroid Foundation, $1,500, largely on the basis of personal friendships. The Stern, Field, and other smaller foundations said that they had grant priorities which precluded their giving monies to operations backed by large institutions such as churches. As a result of its activist orientation and its institutional support, the ICCR has relied primarily on contributions from denominational members; during the 5 years of its existence ICCR has raised less than $15,000 from outside sources.

Since 1973, ICCR has operated with a core staff of seven, most of whom prepare studies of church portfolios and some of whom work on various shareholder campaigns conducted by the churches. The shareholders' campaigns are funded exclusively by denominations and members of the National Council of Churches; no effort has ever been made to fund these efforts through foundation grants.

In fiscal year 1974, the operating budget of ICCR was $160,000. At the end of the year, the organization was $15,000 in debt, and the deficit was covered by different denominations. In fiscal 1975 the ICCR was $44,000 in debt; once again the deficit was met by members of the National Council of Churches.

In late 1974, ICCR asked the Lilly Foundation for $50,000, to be given in each of two years, to prepare social profiles of corporations that are in the portfolios of the various denominations. The foundation rejected the proposal, and, according to Frank White, ICCR's director, indicated that the reason for its refusal was essentially political. The foundation indicated instead that they would finance a study of the corporate responsibility of churches, to determine the responsibility of the churches' investment policies. According to White, the foundation offered to raise between $250,000 and $500,000 and to provide a separate staff for the study.

The grant proposal eventually fell through. The reason given to White was that the Lilly Foundation was afraid that its tax exemption would be challenged if it made a grant to a church organization.

V

OTHER CORPORATE ACTIVIST GROUPS

There have been since 1970 a number of corporate activist groups formed around various issues. Each of these groups has had their own particular goal, their own budgetary constraints, and their own particular concerns. None of them have operated with substantial budgets, and each has had its own unique constituency. What follows is a brief review of some of these groups.

The Council for Corporate Review was a Minneapolis-based organization formed by Mary Williams and Charles Pillsbury in 1971. Its original concept was along the lines that Alinsky espoused, namely, to maintain community action and to have its support come from the community. Its focus was primarily on Minneapolis-based corporations, many of whom are national. Its limited funding came from individuals or organizations within the community. The council sought some funds from national organizations, particularly national churches, and while it received some money from these organizations, most came from local denominations of churches, local unions, and an occasional foundation grant.

The council's primary agenda was community organization and the development of a heightened awareness of corporate responsibility to proxy contests and other corporate practices. It conducted several well-known campaigns, particularly the Northern States Power Campaign, which was successful in selecting some public directors for a major corporation. It has always operated on a shoestring budget and was eventually merged into a federation of local organizations in Minneapolis that continues to work on various community issues.

The Council for New Corporate Priorities was a California-based group which received some assistance from the POINT Foundation and attempted to raise other funds from California foundations. Its activist efforts focused around the Bank of America, using both shareholder and depositor strategies as an effort to increase the bank's responsiveness to the public. The council was unsuccessful in raising funds, and is now defunct.

Project Standard Oil is run essentially by Jim Hoy and his wife. It relies primarily on shareholders for support and operates on a shoestring budget, which does not exceed $3,000 in any year. Hoy receives contributions from concerned shareholders of Standard Oil of California, and all of his activities focus on that one corporation. Because of its limited focus, Project Standard Oil, though operating on a minimal budget, has in some respects been the only successful fund-raising organization that conducts proxy contests.

VI

CONCLUSION

To draw conclusions from a study of fund-raising experiences of corporate activist groups is extremely difficult because there have been so few corporate activist groups in existence for any period of time. The reasons, of course, are many. The issue of corporate responsibility is not looked upon with much favor by foundations; and the major foundations, in particular, prefer to make grants to established organizations that conduct "pure research" or that have been set up by the foundations themselves.

In many respects, the Project on Corporate Responsibility can be defined as the only corporate activist group. Its scope was national, its objective was to focus exclusively on the corporation, and its tactics were purely action. It was successful in the early stages of its fund-raising because the seed-money foundations gave significant grants and because the project operated on a relatively small budget. But seed-money grants from the smaller foundations dried up and were not replaced by grants from the majors. Efforts of the Project to raise money through individual or direct mail were unsuccessful, partly because of lack of tax exemption and partly because of fund-raising costs. Moreover, the Project had no specific constituency from which it could draw funds, and would have been solely dependent on grants from major foundations, which never materialized.

The ICCR exists primarily because of the support of its own members, who are also its primary constituents. Even ICCR was unable to raise any significant funds from foundations. The foundations preferred instead to set up their own organization, IRRC, to perform the function that ICCR had proposed.

The Council on Economic Priorities is surviving largely as a research organization dependent on significant grants from small foundations and on growing support from earned income. If it continues to raise money from additional foundation sources, it will be because of its research orientation and not because of any activist programs.

One point is clear. Corporate activist groups cannot expect to be funded on a permanent basis by foundations, large or small. The record shows that the foundations prefer to lend financial support to research on issues of corporate responsibility, and to established organizations, such as the Brookings Institution or major universities.

THE ROLE OF THE UNITED WAY IN PHILANTHROPY

David Horton Smith[†]

Introduction

The Filer Commission undertook at its inception to investigate the nature and impact of private philanthropy in our nation. It is striking, therefore, that so little attention has been given to the major source of private philanthropy in America – living individuals. The majority of the research studies of the Commission have been more concerned with the activities of foundations, corporations, and bequests and their tax ramifications. Yet *Giving U.S.A.* (American Association of Fund-Raising Counsel, 1975) indicates that nearly 79 percent of the $25.23 billion given to philanthropic organizations in 1974 came from living individuals. Of this nearly $20 billion in philanthropic money from living individuals, the more than 2,200 federated campaigns of United Ways, United Funds, Community Chests and similar organizations in the U.S. and Canada are reported to have raised some 5 percent ($1.039 billion).

The purpose of this paper is to examine how United Ways (or their equivalents, taking this common designation to refer to the entire class of federated communitywide fund raising campaigns, whatever their actual local names) raise and allocate their funds, to whom, with what effect, accountable to whom, and using what philosophy of operation. In the second section of the paper we shall also give some attention to the relationship of local United Ways to the national federative body, the United Way of America.

Let us admit from the outset, however, that the resources of both time and money to perform this brief pilot study have been thoroughly inadequate to the task. The United Way complex nationally is a large and highly varied organizational set, constantly changing and adapting to its internal pressures and external environment. To perceive, document, and synthesize a statement of the "truth" about such an important part of American philanthropy demands much more extensive study than we have been able to perform. Nevertheless, even a brief study is better than none, and the topic very much needs to be examined by the Filer Commission.

Two basic methods were used in this study. First, and principally, we have relied upon personal interviews with individuals involved in United Ways or familiar with them in various communities and metropolitan areas around the country. We have conducted extensive interviews with people in four sites in the Northeast, Midwest, South, and Southwest, with additional interviews with knowledgeable people from several other cities around the country. A total of approximately eight days was spent interviewing in the field in this manner. The cities and metropolitan areas involved range from a population of about 25,000 to over 1,000,000. While too small a sample to be statistically representative, the sample is at least diverse in terms of geographical region and size of the urban area involved.

In doing this interviewing, we did not employ any kind of standardized interview schedule or questionnaire. Instead, we utilized the method of the "focused interview," wherein several basic themes are touched upon conversationally in whatever language and whatever order seems most appropriate. We attempted in each of the four main sites to talk to board members, executive staff, committee volunteers, agency staff, and non-United Way agency/organization leaders in order to get a fair overview of the structure and operations of the local United Way. We averaged about 10 interviews per site for each of the four principal sites. Some of these interviews were very brief (15 minutes), while others were very lengthy (six hours).

[†] **Associate Professor, Department of Sociology, Boston College; Association of Voluntary Action Scholars.**

In order to obtain the most frank and honest assessments and opinions possible, while protecting people from possible recrimination or reprisals on the part of others, we guaranteed anonymity to every interviewee. We also guaranteed the anonymity of the United Ways themselves, since staff members in some of them indicated a fear of possible reprisal if even the location of their study site were known.

The second method we used was to search the prior literature for studies of United Ways done by others and to utilize published statistics of both individual United Ways and of the United Way of America regarding the overall picture of federated communitywide giving in the U.S. These prior studies and statistical data lend additional strength to our conclusions from the interviews. We shall introduce them into this report as and where they seem relevant, indicating the sources. Where the source is data from a particular United Way, we shall again protect its anonymity, since our purpose is to understand the larger system of United Ways across the country and to suggest ways of improving this system, rather than to find either fault or virtue in particular United Way organizations. When speaking of the United Way of America, the national federative organization, no such protection of anonymity is possible, of course.

In spite of our limited resources and the small sample of intensive study sites, the study reveals what seems to be a great deal of uniformity in the general outlines of how United Ways work all over the country. This is probably the case because the United Way/Community Chest movement is a very well established one in our country (begun early in this century in Cleveland, according to some historians, or late in the last century in Denver, according to others) and it has had an active central federative body during most of its history.[1]

We shall try throughout this report to present *both* sides of the argument regarding all controversial aspects of the United Ways and their functioning. We do this not to avoid taking stands on where improvements are needed or where present arrangements are adequate, but so that the reader may have a better chance to understand fully the complexities of the situation before applying value judgments. Understanding of these complexities is absolutely vital if real change and improvement are to result in how United Ways function. This is true because United Ways are first and foremost a *politicized* type of organization. They are highly visible in the community, and their control is of interest to the local community power structure. United Ways, as we shall see later, closely reflect the prevailing power structure of their larger environment, both locally and nationally.

I

FUND RAISING AND RESOURCE ATTRACTION

The principal aim of the United Way (or its equivalent), both locally and nationally, is to raise charitable contributions for subsequent allocation to a variety of health, welfare, and recreational service agencies and organizations and to the administrative activities of the United Way itself. More precisely, it is fair to say that the aim is to raise more money each year, if possible, and all other goals and objectives are subordinate to this aim. This makes the average United Way very similar in its basic operating philosophy to the average profit-making business. Naturally, there are numerous differences between United Ways and business firms, but the overall parallel in paramount objectives is striking.

This parallel with business firms is maintained at the level of governance (management, administration, policy making, decision making) as well, as we shall see in the next section of this paper. Almost without exception, businessmen (particularly executives in medium-sized or large businesses) hold the large majority of decision-making power in United Ways, both locally and nationally.

The origins and functions of United Ways and their forerunners, Community Chests, United Funds, and so forth, are quite consistent with and in fact conducive to this money-raising goal. The first successful Community Chest was formed as a result of the initiatives of Cleveland businessmen who were bothered by the proliferation of charitable fund-raising campaigns and who were concerned that the money they gave to local or national charities be well spent.[2] Similarly, the first successful United Fund drive (combining Community Chest agencies with national health organizations as intended donees) was initiated in Michigan by Henry Ford II in 1947.[3] Both the original Community Chest movement and the subsequent United Fund movement spread rapidly across the country; at present it encompasses about 80 percent of the U.S. population, according to the 1974-1975 *Directory* of the United Way of America.[4]

The 1973 United Way activities around the country involved 2,057 separate fund-raising campaigns, according to the *Directory*. About $975 million was raised through these campaigns, of which some 28.4 percent came from corporate gifts and 61.1 percent from payroll deductions of employees and executives in business firms and government agencies.[5] Other types of money raising, including local campaigns and special gifts, account for the rest. These figures represent several important outcomes of long-term trends in United Way fund raising. The most important trend is that more money has been raised each year than in previous years, on the whole, though the increase is not always an unbroken series. In rough terms, the bi-national (Canada and U.S.) total has about doubled every decade since 1940, though there was effectively no change in the 1930s and a quadrupling in the 1920s.

Another important trend has been the decline in the percentage of corporate gifts, which has dropped from about 41 percent in 1954 to about 28 percent in 1973.[6] Hence, big corporate gifts have become decreasingly important to the total of funds raised over the past several decades. Correspondingly, the category of employee and executive gifts has become much more important, rising from about 30 percent in 1954 to 61 percent in 1973.[7] This source refers to payroll deduction plans operated at places of work. By contrast, the house-to-house residential campaign is of very small and ever declining importance as a source of United Way funds. If a longer span of years were examined, the foregoing trends would become even more sharply defined, since the residential campaign was in the beginning a very substantial part of the picture.

The most important implication of these figures is that the executives of medium and large businesses have tremendous power, collectively, over the success or failure of United Way fund raising all over the country. The key decision nowadays is not the individual decision to give that is made by an employee or executive, but rather the decision by one or more corporate *top* executives to participate organizationally in the United Way campaign, allowing a payroll deduction and solicitation program to be set up while at the same time perhaps making a corporate contribution. Once the standard solicitation-payroll deduction program has been established, it is a foregone conclusion that significant amounts of money will be raised from the business firm, assuming the usual levels of employer backup for the United Way campaign.

This means, in turn, that the standard United Way executive and employee solicitation campaign involves a good deal of pressure from the top management to participate. This is not surprising, since personal pressure is the keystone of nearly all fund raising. However, there is often criticism of the amount and type of pressure exerted by business management in United Way campaigns. There seems to be a modest amount of overt coercion by employers, but a great deal of more subtle "friendly persuasion." Since the giving is registered as part of the payroll system, no employee can escape scrutiny by an interested top management. Fear of loss of job or of incurring disfavor of superiors is believed by many critics to be the source of much United Way giving, rather than more charitable motivations.[8]

Additional light is thrown on these issues by a study of United Way givers and non-givers in the Lansing, Michigan, area.[9] Based on questionnaire data from over 2,000 givers and non-givers to the United Way, we can conclude that 40 percent of the givers versus 25 percent of the non-givers felt that there was some influence (or more) of company expectations to contribute; that about 25 percent of both givers and non-givers felt there was some (or more) influence of their expectations that those who don't pledge at work will usually hear about it from a superior; that about 14 percent of both givers and non-givers felt there was some influence of their boss, foreman, or supervisor when they were deciding to give or not.[10] However, other items show that givers also tend to be responding to a significant extent to their sense of altruism and perception of people in need.[11] Further, the presence of tax deductions and the possibility of needing to use local services also play a role in giving decisions, as do many other factors.[12]

Of course, what people say in response to a questionnaire, especially one that is administered at one's place of work, as was the case with this one, does not necessarily reflect their true assessment of the situation. It is therefore reasonable to take the foregoing data as an indication of the *minimum* level of work-related pressure that people are willing to admit on a purportedly anonymous questionnaire (that is, one that was presented as anonymous and reported by the investigator that way, but regarding which the individual respondent might have had his or her doubts).

These data and other anecdotal materials support the contention that there is indeed a significant presence of undue, job-related pressure in United Way giving. However, this kind of pressure is clearly not the only reason for employee and executive giving, nor is it always reported to be present. But the fact that such pressure is present at all indicates the need for greater protection of employee and executive civil rights against the interference of employers in their personal affairs. As Richard Carter notes, the individual should have the right, "after private negotiations with his conscience, to give time and money to any cause that pleases him" and the right "to withhold support from any cause in which he lacks personal interest."[13]

It is unlikely that anyone connected with the United Way complex of organizations nationally will agree with the foregoing, since a virtual or actual monopoly on in-plant fund raising is currently possessed by the United Way type of organization in most places in the country. Yet the United Way is far from the only charitable organization seeking funds in order to do good works in this country. The United Way likes to present its campaign in the terms of "Give once for all" and places great reliance on the efficiency argument that one big campaign is bettter than a multitude of smaller ones. The important question is, "Better for whom?"

To quote severe critics of the United Way approach, speaking of the situation in the San Francisco Bay Area, "The business community has embraced the United Fund for a variety of self-serving reasons. The one-gift-for-all concept was appealing as a defense against the plethora of national and local charity drives. A single sizable gift given for an amalgam of good works, plus active corporate sponsorship of a United Fund campaign among their employees, provided business with a beneficent, charitable image that might divert public attention from other actions contrary to the public interest. The impact of polluted air and waterways, excessive profits, and poorly made products is excused by corporations doing their bit in the charity area."[14] Similar statements might be made by critics speaking of most other cities in the United States.

We would argue that the full range of social responsibilities of business firms and other organizations in this country should be examined and that appropriate remedies be sought for each and every area of dereliction: Where corporations pollute, there should be appropriate legislation, administrative enforcement, and local and national citizen group pressure to try to resolve the problem in the public interest; where products are shoddy, let consumer protection laws, enforcement, and citizen activism do something about it. But what can be done about the virtual fund-raising monopoly of the United Way type of organization in our nation's businesses? Should anything be done about it?

Yes, something should be done about it in the public interest. As we noted at the outset, the whole complex of United Way campaigns across the country account for only a small percentage of charitable giving – about 4 percent of total giving in 1974, according to *Giving U.S.A.*[15] And while it is certainly true that some efficiency is attained by avoiding separate campaigns for all of the kinds of agencies supported by the United Ways, it is also true that many kinds of organizations active in the public interest receive little or no support from United Ways. We shall explore this subject more when we turn to access and allocation practices. For the moment, suffice it to say that although United Ways support tens of thousands of useful and helpful social, health, and recreational agencies in the U.S., there are many more agencies and organizations of the same and especially of different kinds that also need and merit support. Those other organizations are already out there struggling for support, running their own public campaigns (the major health agencies, for example) or depending on grants, dues, fees for services for their support.

The crucial question, then, is *not* whether the United Way type of campaign for social welfare, health, and recreational agencies should be disbanded or continued. It obviously will and probably should continue (though it needs many improvements). Instead, the crucial question is whether or not American business is going to continue its unfair and probably unlawful monopoly relationship with United Ways (or their equivalents) around the country, or whether it is going to open up its support to other kinds of workplace-based campaigns. Already, American business firms give *corporate* contributions to many other kinds of charitable organizations. A Conference Board survey of the 1972 contributions of 443 larger companies showed that about 27 percent of charitable monies went to United Fund drives and their equivalents.[16] About 98 percent of the companies polled indicated support of these kinds of drives.[17] No other type of recipient received anything like this level of breadth of support.

Another way of putting the problem, then, is to urge that the multiple charitable support practices of American business in regard to corporate contributions be carried over into the matter of support for additional workplace-based campaigns, with accompanying payroll deduction plans. To do otherwise is to violate employee rights and to harm the public interest by prohibiting other kinds of charitable organizations and federations from receiving the widespread public support they need.

This is not to say that business firms should support workplace campaigns for every charitable or nonprofit entity that comes along. There clearly must be some kind of selection process. It costs relatively little to add a few or even several additional payroll deduction options, given the widespread use of computers and the many different kinds of deductions that most employees currently have taken from their gross pay. But it would be impractical and unlikely to have hundreds of different charitable deductions possible for a given company (though this may come in time). Therefore, our recommendation for the near term is the following:

Recommendation One

All American business firms of whatever type or nature (that is, all profit-making entities in IRS terms) should be encouraged to terminate monopoly relationships with any single federated campaign charitable organization (United Ways or equivalents, usually) with regard to workplace solicitation and accompanying payroll deduction plans. Employees and executives should be offered a plurality of types of charitable contributions to make, not just the usual health, welfare, and recreational package that is represented by the United Way. This plurality of choices should not simply be a ruse, breaking the United Way campaign into component service areas for health, welfare, recreational and so forth. The pluralism should instead be a real one, offering real choices of where charitable contributions should go, but keeping the number of choices to a manageable number (say, from 10 to 20 or so).

Recommendation Two

All American business firms should be encouraged to establish workplace solicitation campaigns and accompanying payroll deduction plans that include a wide range of federated campaign packages, covering all major areas of public needs. This broader range of federated campaigns should include not only the usual United Way campaign (covering portions of the health, welfare, and recreational spectrum), but also such additional federated campaigns as a combined independent health agency campaign (covering all those national health organizations that reject participation in the United Ways and run separate national campaigns — such as Easter Seal, March of Dimes, Cancer, Heart); a combined international aid and understanding campaign (covering U.S. aid and relief organizations operating abroad, such as CARE and CARITAS, but also including the organizations such as the Experiment in International Living, World Affairs Councils that foster greater international understanding and friendship;[18] a combined aid-to-private-higher-education campaign (examples would be the federated aid-to-independent-colleges fund raising efforts that exist in many states). a combined arts and culture campaign (taking special are to support not only the elite cultural institutions but also popular nonprofit cultural organizations, such as a local puppet theatre for children, local creative arts and crafts societies); a Black United Fund or other federated minority campaign (Black United Funds or their equivalent already exist in several cities around the country to support self-help and institution building in the Black community,[19] and there is a national coordinating agency called the National Black United Fund; similar minority federated campaigns for other major minority groups such as Chicanos and Puerto Ricans can easily be envisaged); a combined ecology and environment campaign (including the full range of environmental advocacy, clean-up, preservation, recycling groups, not just those groups that are no threat to business and industry); a combined consumerism and economic improvement campaign (again including the full range of such groups, not just "tame" ones that are acceptable to the most conservative businessman); a combined science and inquiry campaign (supporting nonprofit research activities in areas of social problems, human needs); a combined leisure and recreation campaign (covering the many national and local recreational groups not usually covered by United Way campaigns); a combined civil rights and social justice campaign (covering the full range of groups seeking to free particular disadvantaged or minority groups from prejudice and discrimination); a combined citizen participation and social action campaign[20] (including all those groups not elsewhere covered that are attempting to involve citizens in public and civic affairs of a nonpartisan but often politicized nature, and that are attempting to bring about non-violent change in the public interest within the framework of the U.S. Constitution and Bill of Rights); a combined self-help group campaign (covering the wide range of groups of people trying to help themselves, rather than being the recipients of well-meaning help from others; these groups are seldom if ever funded to any significant extent by United Ways); a combined world peace and conflict reduction campaign (covering those groups that are working specifically on the problems of inter-nation conflict and intra-nation conflict among different groups of people); a combined independent social welfare organizations campaign (covering those local and national social welfare organizations that are not usually included in United Way funding); and finally, a combined social-interpersonal relations campaign (including a variety of groups that are dedicated to helping people have a sense of fellowship, friendship, and belonging in our otherwise increasingly anonymous urban society).

The foregoing list attempts to cover most of the important public needs and values held by the American public; it omits principally partisan political activity (promoting the election of particular candidates or political parties) and religious activity, both of which are not appropriately supported through combined workplace-based campaigns. There are well-organized and effective national and local money-raising campaigns already mounted by religious and political bodies, and the establishment of payroll deduction systems for either type of goal would be inconsistent with federal law and national traditions.

What the foregoing list of possible federated campaigns *does* accomplish is extremely important: It restores freedom of choice and pluralism to workplace fund-raising and payroll deduction campaigns, without sacrificing the concerns of employers for as much efficiency as possible in this kind of activity. If these recommendations are put into practice, employees and executives will be able to give money to the broad areas of nonprofit and charitable activity of their choice, rather than being highly limited, as they now are, to the usual United Way package of agencies. Again, this is not to say that the United Way package of agencies is without merit, but rather that such a package is only representative of a small segment of the U.S. nonprofit, voluntary, charitable sector.

Since the *mechanism* of workplace solicitation and payroll deductions has proved so effective in federated fund raising, it is only fair that this mechanism be allowed to work for the full range of human and social needs. The total of 16 types of federated campaigns suggested above will obviously be "more work" for the companies and people involved. Yet the benefits to the nonprofit, voluntary sector far surpass the small costs involved. American business firms have already recognized the need to go beyond United Way contributions in their own corporate giving. Now it is time to apply the same principles of corporate social responsibility in the public interest to the realm of workplace-based employee and executive charitable giving.

When more pluralistic systems of workplace-based giving are instituted, each separate federation and combined campaign organization should be a party to the arrangements. Management representatives and labor representatives should meet with representatives of all participating campaigns to set policy, review administrative procedures, and monitor the operation. If the United Way representatives essentially "run the show" for the other charitable federations, then we will be right back where we started again. Pluralism *means* sharing of power and access.

Recommendation Three

In order for American business firms to be able to admit the full range of federated campaigns to workplace solicitation and payroll deduction programs, the various parts of the voluntary sector besides the United Way need to design and create effective federations, at least for workplace fund-raising purposes. There are already some of these kinds of federations in place locally and even nationally (for example, National Black United Fund), but most remain to be created. Until and unless such alternative federations are in existence, the present arrangements exclusively with the United Ways will not be easily altered. The creation of these various suggested federations (or other similar ones), both nationally and locally, would be an excellent series of projects for private philanthropic foundations to sponsor. The leveraged impact for the general welfare could be tremendous.

Although the local and national United Ways will doubtless fight the foregoing recommendations, overtly or covertly, they will in the end be unsuccessful in that fight. Perhaps this judgment is an overly harsh one, but time will tell the tale. The United Ways will lose the fight eventually simply because they will be up against the American value of fair play and the natural process of cultural diffusion of innovations. It is simply unfair and probably illegal (more of this later) for United Ways to monopolize access to employess and executives through workplace charitable solicitation and payroll deduction programs. Other major segments of the voluntary sector, represented by alternative federations, have a right to participate in this mode of fund raising. Moreover, the United Ways have no right (nor in the long run, a ghost of a chance) to prevent other federations of charitable and nonprofit organizations from using their highly effective invention in the fund-raising field – the charitable payroll deduction combined with effective in-person workplace volunteer solicitation of pledges. It has always been the rule, rather than the exception, that social inventions of proven value spread. And this spread cannot be confined within organizational or movement boundaries.

As for legal aspects of the situation, public interest lawyers and representatives of major non-United Way supported charitable organizations will be much better qualified to speak than we are. However, on the face of it, any corporation denying equal solicitation and payroll deduction rights to other bona fide charitable federations, once they have granted such rights to the United Way or equivalent locally, is likely to be open to class action suits and other civil suits by specific nonprofit organizations alleging noncompliance with equal opportunity and affirmative action legislation. Since most corporations now have at least some federal contract money or engage in interstate commerce, the applicability of federal laws whenever payroll deduction plans are used for charitable giving will be arguable. In a few cities around the country some suits have already been filed against the United Way alleging discrimination on various grounds.

The foregoing suggestions cannot reasonably be opposed on public interest grounds, since they involve opening up a broader range of public-interest and public-need-oriented nonprofit organizations to participation in an effective fund-raising mechanism presently controlled almost exclusively by United Ways. But even United Ways may find that their fund raising is ultimately enhanced because *more* people will be giving *more* to charity when they can give to a wider range of nonprofit activities. And if United Ways do receive less money for a few years (or indefinitely), then this will be the result of widespread expression of the opinion of the American public. As things stand now, the vast majority of American employees and executives involved in deciding to give to charity at their workplaces are participating in the equivalent of a Russian election: they can give to the *only* candidate (United Way) or none at all. A more democratic and pluralistic approach requires that workplace charity solicitation provide a wider choice and real alternatives to the American working person – employee or executive, man or woman, young or old, rich or poor. This set of wider choices must encompass something like the set of alternative federation/combined campaigns we noted earlier. If we reject one-candidate elections as undemocratic, we must also reject one-candidate charitable contribution decisions, however useful the package of agencies supported, as equally undemocratic. The key point again is that the United Way set of agencies supported is a very limited and specialized fragment of the total voluntary sector.

There are several things that might be done to push for change in the directions suggested above. The forces supporting the status quo are very powerful, indeed. But just as IBM and Xerox have in the long run had to share their technology, so too will the very successful United Way movement have to share its fund-raising technology.

Recommendation Four

In order to insure equal opportunity and fair use of resources that are in part supported by public, federal monies, the Congress should pass legislation that requires medium-and large-sized business (at a minimum) to provide equal access to workplace charitable solicitation and payroll deduction programs for a variety of federated charitable organizations, if such access is granted to any (for example, the United Way or its equivalent). This will give a more clear cut thrust to attempts by non-United Way federations to obtain their fair share of workplace solicited/payroll deduction charitable monies. The United Way emphasizes that all citizens should *give* their fair share; this kind of legislation would take that same principle and apply it more broadly, so that all kinds of charitable federations have a chance to *get* their fair share through the payroll-deduction mechanism. Without this legislation, the process of achieving fair play for the full range of charitable organizations in American business firms will be a much longer and more difficult one.

Recommendation Five

The major businessmen's and trade associations in the U.S. (American Management Associations, the National Alliance of Businessmen, Conference Board, various trade associations) should take the lead in encouraging fair play for the full range of actual and potential charitable federations in this country to participate in workplace solicitation and payroll deduction plans. This will be another important demonstration of increasing corporate social responsibility, and will help to answer the growing criticisms that the current arrangements are mere "tokenism." Just as tokenism in the hiring of minority and women employees is unacceptable in terms of today's values and discrimination-prohibition laws, so also is tokenism in support of charitable and public interest activities unacceptable. If major business organizations take the lead, they may well be able to work out smooth transition procedures so that disturbing conflicts all over the country are avoided or at least reduced in intensity and duration.

Among other virtues of the foregoing approach, an optimally efficient set of combined federated campaigns may result from the active participation of major business sector coordination groups in the planning and testing phase. A great deal of careful thought needs to be given to how real fairness and coverage of all segments of the charitable, nonprofit sector can be achieved in workplace solicitation/payroll deduction programs. It is still possible, in principle, to have all of this solicitation take place once a year only, but representing a much broader range of federations than is presently the case. We are not challenging the question of efficiency in workplace charitable solicitation, but rather the question of breadth of coverage. After 60 years of track record, it is clear that the United Way and United Fund approach is relatively little broader than the earlier Community Chest approach, and that the whole United Way movement is a valuable vehicle for supporting a modest segment of American voluntarism and nonprofit activity. There is no confidence among the rest – the great majority, by the way – of the voluntary sector that the United Way approach can ever encompass the full range of public and human needs.

Most of what we have said about the limitations of workplace solicitation and payroll deduction plans at American business firms also holds true for similar programs at federal and other level government agencies. The Combined Federal Campaigns are usually somewhat broader in including a selection of major national health agencies, but seldom do they include any of the other kinds of federated campaigns we suggest above. Here the inequalities of opportunity and probable violations of non-discrimination laws are even more striking. United Ways and a few national health agencies together monopolize access, by and large. Again, there needs to be much greater broadening of access.

Recommendation Six

In order to achieve greater equity and pursue more closely the public interest, Congress should pass legislation requiring that the Combined Federal Campaigns conducted in federal agencies or in other government agencies utilizing federal funds provide equal access to workplace charitable solicitation and payroll deduction programs for a variety of federated charitable organizations, not just the United Way (or its equivalent) and national health agencies. Again, this legislative approach will reduce conflict over the issue by legitimating a federal campaign fairness doctrine not now observed. Piecemeal change and numerous time and resource consuming lawsuits will perhaps be avoided in this manner.

Recommendation Seven

In view of its historical role in seeking greater equity for working people, the labor movement in the U.S. should also take the lead in encouraging fair play for the full range of actual and potential charitable federations in this country to participate in workplace solicitation and payroll deduction. Many of the kinds of voluntary groups that presently have no access to this kind of fund raising (consumer groups, for example) are precisely the groups that might most benefit blue collar working people.

Even if all the foregoing were to become a reality overnight, however, there would still remain the problem of undue pressure on giving at the workplace. Instead of pressure to give only to the United Way, we might see pressure to give to the employer's favorite package of federated campaigns, or pressure to give to something rather than nothing, or pressure *not* to give to certain federations (consumerism, environmentalism, citizen participation). Again the question is not so much whether there will be pressure, but how much and what kind of pressure is exerted. Undue pressure is that which is backed up by any form of economic sanctions controlled by the employer (threat of job loss, change of job, lack of a raise). This is extremely hard to monitor and prevent. However, something needs to be done to reduce if not completely eliminate abuses.

Recommendation Eight

A Philanthropy Ombudsman Center should be established to investigate and if verified as true, reprimand publicly, the perpetrators of any reported instances of undue employer pressure upon employees and executives to make charitable contributions or to make them to particular charitable federations rather than to others. If such instances are repeated by the same employer, then the center should bring charges against the employer for violation of the civil rights of employees. This center might be an independent body or it might be part of some existing or contemplated nonprofit body dealing with related issues such as foundation accountability and responsible fund raising. It should not be controlled by or be a creature of the business sector nor of the United Way movement nor any other major federation, actual or potential, of nonprofit organizations representing a particular segment of the voluntary sector. Otherwise, clear conflicts of interest and probable co-optation will result, and the problem will not be remedied.

There are many other important aspects of the fund-raising process of United Ways that we cannot go into here for lack of space or lack of adequate information. For instance, it is often alleged that the greater burden of giving to United Ways falls on working class factory workers and lower level white collar employees. Because of the manner in which funds are mainly raised, however, accurate information on this matter is not available. Employers are reluctant to provide statistics on giving by their employees according to income level.

One final point to be made that has important implications (which we shall discuss later) is that as in nearly all types of fund raising, a relatively small proportion of the total number of United Ways nationally raise a majority of the funds. Roughly speaking, the top 50 campaigns nationally raise about half of the national total of about $1 billion, and the top 4 campaigns together raise about 10 percent or more of the national total.[21] This has major implications for how the national United Way of America relates to member campaign organizations.

II

GOVERNANCE

United Ways (or their equivalent) are incorporated as nonprofit charitable organizations in the states where they are located. They are not dependent for their existence on the national coordinating organization, the United Way of America. Some United Way executives have expressed the fear, however, that current centralization strategies being pursued by the national coordinating body (hereinafter, UWA) are aimed at a long-run takeover of all (or as many as possible) of the autonomous local United Ways, possibly in the name of "efficiency," "better coordination," or "a tighter ship." Most local United Way executives find this idea far fetched, but others point to various possible signs that may be indicators of this trend. What are some of these signs?

First let us sketch briefly what the UWA is like as an organization. The UWA is a nonprofit charitable organization supported principally by membership dues (set at .5 percent of the campaign total raised by a local United Way), together with grants, fees for services (such as, training course tuition, conference registration fees), and so forth. Because of the very large amounts of campaign funds raised by a small number of large urban area United Ways, this dues structure (recently revised to remove an earlier ceiling of $50,000 on dues from any single member United Way) means that the UWA tends to be most concerned with and most responsive to the largest 50 local organizations, and particularly to the largest 10 to 20 United Ways.

The UWA was founded and has always been dedicated to serve local United Ways and the United Way movement (or its earlier incarnations), nationally and internationally. UWA provides numerous services to members, including various statistics on fund-raising probabilities, methods, and results; conferences and meetings for both staff executives and volunteers of local United Ways; newsletters and other publications; training courses through a National Academy of Voluntarism; graphic design and national media campaigns; consultative services on various special problems; and a variety of other services.

But for a coordinating and service organization, the UWA has a very peculiar relationship to its members and principal constituency. One might well expect that the board of directors of the UWA would contain a substantial representation of its members and principal constituency. This would be a normal expectation since the UWA is supposedly there to serve its members and should be, according to the usual theory of voluntary membership organizations, responsive to its members' needs and concerns as expressed through participation in the highest policy making body of the organization. The board of directors is elected by the membership (essentially by board members of local United Ways) at a National Congress of the UWA, but this election is no more than a "rubber stamp" for a single slate of board members prepared by a nominating committee that is heavily influenced by the UWA top executives.

Even in 1970, there was very little representation of the UWA membership on the national board – only 6 of the roughly 50 board members in 1970 were United Way executives from around the country.[22] By 1974 there were no local United Way staff representatives on the national board.[23] Instead of being representative of its membership constituency and the local United Way executives (who are the principal recipients of UWA services and most knowledgeable about and dedicated to local United Way activities, as full-time professionals in the field), the UWA board is mainly composed of executives of national, major business firms, plus major labor leaders and a few lawyers from prestigious firms. This makes for a powerful and prestigious UWA board of directors, but not for much input from the constituency of local United Ways who are principally supporting the UWA and who are supposed to be principally served.

The UWA top executives and board members will respond that the present kind of board composition is better for the United Way movement, giving it more clout nationally and providing important linkages to the corporate and labor leadership of the country who are so important to fund raising (in view of the sources of United Way funds in campaigns across the country as already discussed). So the focus is again placed on the money-raising aspect of the United Way as the overriding goal. Constituency representation and responsiveness to the membership seem to be less important (apparently, totally unimportant) aspects of UWA governance philosophy than financial clout.

Another result of this kind of governance is that the top UWA staff become relatively free of knowledgeable professional monitoring by the board. The busy corporate, labor, and legal firm executives on the board can exercise only the most general kinds of monitoring functions with regard to UWA activities, and there are no knowledgeable local United Way professionals to provide any closer scrutiny or inputs from the membership. The present arrangement is thus one that provides for a *minimum* of accountability of the national UWA executives to the local United Ways and their staff and volunteer leaders. Another, perhaps inflammatory, way to describe the situation is to say that it is a perfect example of "taxation without representation." Local United Ways pay most of the budget but are not officially represented on the major policy making body of the UWA.

Advocates of the present system will argue that there is ample opportunity for local United Way representatives, staff and volunteers, to participate in decision making through the network of committees, task forces, and the national meetings of leaders and of volunteers (biennially, on an alternating basis). There is also the opportunity to make or seek inputs from the field via the several regional representatives of the UWA. However, this set of arrangements is not a substitute for adequate representation on the policy-making board, any more than the arrangements of the early American colonists for representation were adequate prior to the Revolution.

Although there seems to be adequate representation of minority individuals both on the board and on the national UWA staff, the record is much poorer with regard to women. No more than 10 percent of the board members in 1973 and 1974 were women, and none of the top national staff positions was filled by a woman. These tendencies are consistent with the discrimination against women in executive positions in other philanthropic organizations (for example, foundations) as well as in business and government agencies. It is also striking that over the past five years (and earlier) the officers of the UWA board have been almost exclusively white males.

Recommendation One

As an organization using quasi-public funds (because of tax deduction aspects) and drawing funds from a significant proportion of the adult population of the nation, the United Way of America should be encouraged to return to a more democratically representative board composition whereby substantial numbers of local United Way staff executives and board chairpersons from all over the country and different sizes of urban areas are included. The same recommendation should hold for any other national coordinating bodies for other types of federated campaigns, present or future.

Recommendation Two

The United Way of America, like other major national charitable and philanthropic organizations, should be encouraged to end discrimination (sex, race, ethnicity, age, religion, or other characteristics) wherever it may exist, either in national staff positions at all levels or in regard to the officers and board of directors, task forces, and committees. A good deal has already been done by UWA in this regard, but more remains to be done, especially with regard to sex discrimination and top leadership, national staff, and officers. Where results of this recommendation are unsatisfactory, minority, disadvantaged, and civil rights organizations may have to file class action suits or the equivalent.

There are other levels of power and control in the UWA system that also require attention. For instance, in recent years there seems to have been a marked weakening of the entire staff executive infrastructure of the United Way movement nationally, corresponding to greater centralization of power in the national executive staff, as already noted. There are several possible indicators of this general weakening of the infrastructure that have been mentioned by local executives. One example is the relative lack of effective interchange and communication at national conferences between local United Way staff or board members and national UWA staff. Another example is the apparent weakening of state associations of United Way executives. A third is the tendency for only those local campaign executives from the top 20 cities to be appointed to UWA committees, task forces, and the like. A fourth is the alleged discrimination by UWA national staff (especially top leadership) against local United Way executives who disagree publicly – or disagree at all – with the national UWA line. Local United Way executives in the very large urban areas feel relatively free to speak their minds in relation to UWA policies, since they have fairly secure positions at the top of the pyramid and represent a great deal of financial power over the UWA in terms of their dues. However, in medium-sized urban areas or smaller ones, local United Way executives either feel completely ignored by the national UWA staff, or at times they fear their careers will be or have been harmed by the national UWA as a result of speaking out against some policy or situation that they felt needed improvement.

The simplest way of summarizing all this is to say that there has been a general trend (over the past five years or so, especially) toward making the United Way movement much more hierarchical, centralized, and tightly controlled by the national UWA staff than was the case earlier. Local and national staff executives of the United Way who believe in and practice a more participative style of management tend to be "weeded out," while those who can accept or prefer a more authoritarian and hierarchical style of management tend to prosper and advance in the system. Of course, this tendency is likely to be hotly denied by the leaders of the system, and even those who did speak of it would only do so with strict guarantees of anonymity. Naturally, those who have suffered most from this kind of "selection out" process are no longer in the system, having sought other occupations and contexts that can appreciate collaborative and participative management styles.

This kind of top-down, authoritarian management style seems to have been set and greatly encouraged by the current chief executive officer of the UWA national staff, William Aramony. It is now reflected rather faithfully at the local level in many cities, especially the larger and medium-sized ones. Both the national and local United Way boards tend to approve this kind of "efficient" management style, since boards at both levels are dominated by corporate executives and businessmen, with some labor representation. This is a bit strange in itself, since the most up-to-date management thinking in the business sector stresses more participative and collaborative managment styles, instead of the traditional authoritarian style.

As part of the centralization thrust of the United Way movement, the UWA has for several years been encouraging "regionalization," whereby smaller United Way campaigns would merge with the larger ones in their vicinity. This is sought in the name of greater efficiency of both fund raising and allocation, since services often cut across a broad area. A comparison of the 1970 and 1974-1975 UWA *Directory* confirms that this is happening. An examination of every tenth page in the 1970 *Directory* in comparison with the corresponding listings in the later *Directory* showed that 30 (or an extrapolated 300) United Funds listed as members in 1970 were no longer members in 1974-1975. Some of this decrease may simply be membership turnover, but in many cases United Funds have merged out of existence. A similar tendency was observed for Health and Welfare Councils or the equivalent, where it is even more likely that the additional roughly 300 organizations in the 1970 *Directory* missing from the 1974-1975 *Directory* have gone out of existence. The functions of these councils in the area of social services policy planning have generally either been assumed in theory by the local United Way or eliminated entirely.

Centralization in the name of efficiency is certainly a laudable aim and practice in some contexts, but one may well question whether it is a virtue in the United Way movement. Levels of alienation in the American population are higher than ever before recorded. The roots of this alienation are generally in feelings of powerlessness over the decisions that affect one's life, which in turn are the result of ever-greater striving for more efficiency and centralization in our governments and other institutions. The counter-trend toward decentralization in recent years has yet to really catch hold. The United Way movement has been moving along quickly in the direction of greater centralization, thus adding in the voluntary sector another brick in the edifice of alienation and its roots, declining participation.

The United Way movement is happy to have as much participation as possible in fund raising, but when it comes to policy decision making and the matters of access and allocation, the range of effective citizen participation becomes very narrow or even nonexistent, as we shall see in more detail later. This desire for centralization has apparaently gone even beyond the kinds of trends already described within the United Way movement itself. Now there are also increasing signs that the UWA would like to be perceived as and be given the right to act as the "coordinator" of the entire voluntary social welfare movement. One writer, in asking whether voluntarism was dead or alive, stated: "Much that is happening is anxiety provoking, but when there are signs that the United Fund movement believes that money raising and planning are the prerogative of the United Way movement alone and that other national organizations should be content to deliver services, one becomes even more anxious about the future of the voluntary social welfare movement as a whole."[34]

It is our contention that the greatest strengths of the independent voluntary sector are its pluralism and variety, its ability to experiment and innovate, and its ability to give people at large a sense of effective participation in their society.[35] None of these traits preclude cooperation and efficiency, but preservation of the essence of voluntarism requires that pluralism and participation *not* be sacrificed in order to pursue efficency as an end in itself. The most distinctive aspect of the voluntary sector and its organizations is not so much *what* is accomplished as *how* it is accomplished.

The United Way movement in this country and elsewhere represents a great and effective social service philanthropic mechanism. It is an important part of the voluntary sector, even though it represents only a tiny part of that very large and vigorous sector. As such, the United Way should not be moving farther and farther away from the guiding principles of voluntarism. Some indicators of this kind of "deviation" have been suggested above. As a capstone of this critique, it may be noted that the UWA operates a National Academy of Voluntarism (note the presumption involved in the name itself) that is almost exclusively dedicated to training people how to raise more money and manage its allocation better, as if this were the essence of voluntarism. The only courses dealing with voluntarism have to do with the utilization of fund-raising volunteers in United Way campaigns. We would not argue that any of the courses offered are worthless, merely that the academy is misnamed for self-aggrandizing reasons and that this is both very misleading about the true nature of voluntarism in this country and at the same time symptomatic of the UWA problems we have been discussing. This leads us finally to make the following suggestion in the interest of restoring the United Way movement more to the practice of the principles of voluntarism.

Recommendation Three

The United Way of America, as a major national social service philanthropic organization with a leveraged impact on the whole United Way movement, should be encouraged to reverse its current thrust toward centralization and elite, authoritarian control in all aspects of its functioning, substituting instead a thrust toward more decentralized and participative management and decision-making processes. This change of thrust will need to be brought about ultimately by the board of directors of the UWA, with the support and encouragement of local United Ways and other voluntary organizations. The change will entail a shifting of the current power structure at the national UWA staff headquarters, and hence will doubtless be strongly resisted there, as well as by some (if not many) members of the board. Perhaps an alternative slate of candidates for the board will need to be offered and elected at the next National Congress of the UWA.

If there is no change, and the centralization thrust continues, then it is likely that the current plateau in United Way movement contributions (in constant purchasing power dollars) since 1969 will eventually become a long-term decline. Unlike the government, the United Way movement has no (official) coercive powers to force giving. As the people of this country come more and more to see that they can have relatively little influence over how the United Way movement is run, even though it purports to represent everybody, and as people come to have more and more alternative federated campaigns to give to (as suggested in earlier recommendations in this paper), the piece of the philanthropic pie represented by the United Way is likely to decline.

Just as large industries can go into long-term declines owing to changing values and circumstances, so too can major segments of the voluntary sector go into long-term declines for similar kinds of reasons. The United Way is getting increasingly out of step with the rest of the voluntary sector, our research suggests. There are ever more signs of this every day. Unless very basic changes are made at the highest policy and administrative levels, this deviation will, in our opinion, likely lead to decline.

Recommendation Four

As a test of the seriousness of the problems the United Way movement and particularly the United Way of America seem to be facing, a major national study of the role and functioning of the United Way movement should be performed by some highly respected and thoroughly neutral and independent research organization with funds from independent private foundations not tied to a particular corporation, the United Way of America, or other national voluntary organizations. This study should have an advisory panel composed of numerous representatives of United Ways, UWA, and a cross section of other major organizations of the voluntary sector to provide appropriate linkages and perspectives. The United Way movement representatives should obviously not represent more than a modest minority of the panel. In addition to looking at the United Way per se, the study should also examine the possibilities and actualities of alternative combined fund raising campaigns, along the lines suggested earlier. Perhaps several demonstration projects could be included to test a variety of these options. In all, such a study could test the various conclusions reached by the present study and other pilot studies, while also delving into the numerous questions and issues that we have been unable to tackle because of inadequate resources.

So far, our main attention has been given to the governance of the UWA and its impact on local United Ways, producing an increasing centralization of power and decreasing citizen participation in meaningful decision making. Let us now continue to explore that theme at the local level.

The controlling philosophy of operation in local United Ways, for both board and staff, is to do whatever will raise the largest amount of money for the campaign next year. This means that what is good for local business and industry (corporate and labor leaders) is taken as good for the local United Way. Local United Way boards are almost invariably a mirror image of the local community power structure, with emphasis on the profit-making sector leaders.[26]

The results of this controlling philosophy are far reaching but easy to predict. As in the business sector, so too on local United Way boards and staffs is there a tendency to discriminate against women and minority group members. Recent years have seen changes in the proportion of minority representation, so that in some cities (metropolitan areas) there is from 10 percent to 30 percent minority representation on the board of the local United Way. However, in other cities there is likely to be only token representation (for example, 1 or 2 minority members on a board of 40 to 50 people). The proportion of women on most boards is still very far from what it should be, usually of the order of 10 to 20 percent, even on those boards that have adequate minority representation.

But if there is a significant representation of women and minority groups on United Way boards, this representation, however inadequate numerically, tends to end when one considers the most important positions in the governance structure. Women and minority individuals are extremely rare among the committee chairpersons and among the officers of the board. This indicates that the sharing of power with a true cross section of the community has yet to become a reality, even though some steps have been taken in this direction by United Ways. Similar conclusions are generally valid for United Way staffs – some representation of women and minority individuals, but usually not in adequate numbers nor in the top positions.

Another aspect of United Way board composition is the degree of socio-economic status representation, and the correlative matter of client or user representation. As might be expected from the controlling philosophy, United Way boards very rarely have any lower-income or working-class and welfare poor representatives. There are almost always labor union representatives, but they are essentially white collar, upper-middle-income executives, not blue collar workers themselves (though they usually had been blue collar workers in the past). This means that there is very little, if any, representation on United Way boards of the perspectives of the lower-income user of many of the kinds of services provided by United Way agencies. There clearly are representatives of the users of more middle-class-serving agencies like the scouting and youth recreational groups.

In analytical terms, we may describe the United Way board composition as more or less representative of the higher status segments of the local input constituency, while failing to represent very well, if at all, the lower-income and disadvantaged segments of both the input and output constituencies. The boards represent the givers, especially the more important and wealthier givers, much better than they represent the ultimate receivers of United Way agency services.[27] This is what would be expected in view of the paramount importance attached to the money-raising function of United Ways and the much lesser importance attached to the quality of services delivered in terms of real community needs. Only if United Ways consider the latter goal to be particularly important do they put client representatives on the board in a conscious manner and in substantial numbers. So far as we know, this rarely happens.

Recommendation Five

Local United Way boards should be encouraged to become much more representative of women, minority groups, all ages, lower-income people, and service consumers or clients than is now the case. This representativeness should be carrierd over into the top officer positions, into committee chairpersonships, into budget and allocation policy committees, and into United Way staff composition and leadership positions. The UWA should monitor the degree to which these various kinds of representation are being achieved and give appropriate recognition to those local United Ways that are able to make the most progress. Organizations representing women's rights, minority rights, the rights of the poor, and consumer's rights should pay careful attention to the extent of compliance of United Ways with non-discrimination laws and codes at all levels, bringing suits whenever other means of influencing change prove ineffective. The United Way operation represents a public trust that is purportedly serving the best interests of the whole population. Therefore, the whole of the population should be represented in its decision-making bodies and positions, rather than just a wealthy, white, male elite.

Another aspect of United Way board composition that merits attention is the matter of conflict of interest resulting from members of United Way *agency* boards sitting on United Way boards or committees. From our research we estimate that roughly half of the average United Way board members also sit on, or have sat on, the boards of United Way agencies. This kind of overlapping board structure (when present in the business sector, it is referred to as "interlocking directorates") is a crucial part of the problems that most United Ways face when it comes to changing access or allocation practices. Generally, the wealthier and more powerful people in the community, especially business-sector leaders, are sought as board members by United Way agencies, just as they are also sought to serve as United Way board members. Concentration of board power in such individuals for most traditional service institutions in the local community almost guarantees that there will be very substantial interlocking directorates between agencies and the United Way itself.

The history of the United Way movement also indicates why this kind of "power interlock," as some term it, tends to occur with great regularity. In the beginning, Community Chests were practically viewed as "property" of local social agencies. In many cities, the actual owners of the local United Way were representatives of local social agencies, as far as the technical aspects of the corporation are concerned. And whether or not this legal ownership obtained, United Ways for most of their history (in earlier incarnations, by various names) have been strongly influenced by the more powerful local and national health, welfare, and recreational agencies.

Only in farily recent years has the movement undergone various kinds of reorganization, both locally and nationally, that have led to less direct and overt control by local service agencies. But if direct control is now downplayed or eliminated in most United Ways, *indirect* control by local agencies is still the rule. This becomes clear whenever a local United Way tries to make major changes in the set of agencies receiving funds, in fund allocation patterns, or in the way that the organization operates. We were told of several instances where the agencies in a locality exercised such power successfully even in the few United Ways we were able to investigate in the field for this paper.

In short, both historical considerations of "turf" as well as the natural community power overlap processes combine to produce interlocking directorates of the United Way board and United Way agencies. Most of the more powerful agencies make a point of keeping one or two of "their" people on the United Way board and important committees. This can be done by working through existing board members, through United Way staff, or through other powerful contacts in the community. If done properly, this kind of careful nurturance of United Way board liaison is hard to resist, even if anyone in the system wanted to (which is usually not the case).

It is our conclusion that this kind of interlocking directorate situation constitutes a clear conflict of interest for United Way board members and members of committees that are charged with making access and allocation decisions. There is a conflict of interest because individuals are being asked to make decisions as part of the United Way governance system that have a direct bearing on the financial well-being of agencies that they represent in other contexts. This is roughly equivalent to a foundation board member sitting in judgment of whether or not his/her organization will get a grant. In our interviews in various cities, neither United Way staff nor board nor committee members seemed particularly concerned with the implications of this kind of conflict of interest. Some people said it was no problem, while others stated that whenever such a conflict occurred in a specific allocation decision discussion, the person involved would excuse himself or herself from the discussion or the vote.

There are several kinds of solutions that may help to make this situation more fair to all social service agencies and organizations in the local community. One part of the solution is broader representativeness of the United Way board and committees, so that they do not merely represent a small local elite who are *also* represented on various agency boards. Broadened community representativeness of the boards of all the agencies would also help. In addition, the United Ways could set up and enforce guidelines regarding conflicts of interest for board members, committee members, officers, and so forth.

Recommendation Six

Local United Ways should be encouraged to reduce and if possible eliminate conflicts of interest between agency board and committee members and United Way *board and committee member roles.* This can be done either by requiring United Way decision makers at all levels to "divest themselves" of all other voluntary organization leadership positions (equivalent to the stock divestiture requirements of high government officials), pledging not to use their influence on behalf of any past or intended future organizational affiliations; or it can be done by requiring complete disclosure of all past and present or intended future leadership positions and memberships in voluntary organizations and social agencies, coupled with specific requirements that individuals disqualify themselves from participation in any deliberations or votes regarding agencies with which they have been or are affiliated. The latter approach is perhaps a good short term goal, while the former approach should, in our opinion, be the long-term goal.

Where local United Ways are reluctant to deal with this conflict-of-interest problem, since it will generally be resisted by local agencies who have the most power and receive the greatest United Way allocations, public interest legal groups or the proposed Philanthropy Ombudsman Center may be called in to file suit alleging impropriety under the "no self-dealing" clause that is included in nearly all nonprofit organization corporate charters. We are not aware of any suits filed successfully on these grounds, so far, but it is well within the spirit of the law, and probably also within the letter of the law, to prohibit the kind of overlapping board and committee memberships we have described. The crux of the issue is that United Way board and committe members and leaders participate in financial allocation decisions that can and do affect other charitable organizations that they as individuals represent or have a fiduciary and trustee relationship to.

The foregoing represents some problems of undue influence of local agencies over United Ways, but the reverse problem can also occur. United Way agencies often complain about the influence of United Ways over their own internal agency affairs. "Who pays the piper calls the tune," and the United Way is paying the piper. The question, in part, is how much is the United Way paying. In this, there has been great change within the United Way agencies over the past decade or so. For instance, in one large metropolitan United Way that we studied, we were able to compute the proportion of United Way funds to total agency funds for most agencies for 1966, 1970, and 1975. We found that there was a marked and steady decline in the proportion of United Way funds, from a high of almost 80 percent United Way funding in 1966 to about 30 percent currently (using the total dollar budgets summed across all agencies, rather than computing proportions agency by agency and then averaging). Hence, in dollar terms, United Ways seem to be losing much of their power over their agencies.

However, the situation is not so simple as this might make it seem. The large increases in other kinds of funds are largely due to government funding programs of various kinds. But many government programs require matching funds, so that United Way funds can become a crucial leverage in getting government grants and contracts. Also, the United Way funds are often the most flexible and hence most sought after by agencies. As a result, even though the absolute amount of dollar dependence upon United Ways has been declining proportionate to other funds in agency budgets, there is still a very substantial amount of dependence present. Agencies that have been part of the United Way for several years or more have usually lost most of their local fund raising skills and contacts, so that replacement of United Way funds with separate fund raising would be difficult, if not impossible.

The result of all this is that United Way allocation committees and other representatives of the organization have a great deal of power over local agencies. This power is usually exercised with due caution and rather judiciously, but there are times when it is also exercised in a high-handed way, according to agency representatives. Agencies have been forced to merge to receive funding, though this is usually done in the name of reduced duplication of services. Program service areas of agencies tend to expand and contract in accord with strong suggestions from United

Way allocations committees. United Ways are responsible for imposing program budgeting and stricter financial accounting practices on their agencies. There have been a number of cases where United Ways have been instrumental in getting their agencies to broaden their clientele in ways that reduce previous discriminatory practices.

All in all, there is no easy conclusion to be drawn. Many of the kinds of influence that United Ways wield over their agencies seem to be in the public interest, even though the agencies themselves (if asked privately) tend to resent the interference. We could find only a very few instances in our research where United Way influences upon an agency might be construed as specifically detrimental, looked at from a public interest standpoint. For instance, there is a bias against small agencies in many of the larger United Ways, so that small agencies serving people in a particular area may be forced to merge with a larger agency, which then stops serving adequately the area previously served by the smaller agency.

Because the United Ways have substantial power over the agencies, it is only natural that the agencies should try to balance that power somewhat by placing agency "friends" on the United Way board or committees. If United Way uses undue influence or seriously undermines the autonomy of an agency, then there should be some means of redress for agencies. Again, the proposed Philanthropy Ombudsman Center might investigate such cases and take steps to arbitrate the conflict when local grievance procedures, whatever they may consist of, have been exhausted.

Recommendation Seven

A Philanthropy Ombudsman Center should be formed that can examine and arbitrate grievance situations occurring between local United Ways and their agencies, whenever such situations cannot be easily resolved through local procedures. Such a substitute procedure is especially necessary if, as, and when local interlocking directorates between agency boards and United Ways boards and committees are reduced or eliminated. The assumption here is that this kind of external grievance procedure will be most necessary in dealing with problems of undue influence of United Ways over their agencies, rather than in matters of access and allocation per se, though the latter situations could also call for this same kind of external grievance procedure.

The final area of governance that we will deal with here is that of the relationships between United Way paid executive staff and volunteer board and committee members and leaders. The present situation shows a wide variation in how much power is actually wielded by the staff versus the volunteer board and committees. In some United Ways, the board and committees are little more than "rubber stamps" for staff decisions, while in others the citizen boards and committees play a major role in decision making. However, even in the latter case the executive staff plays a very substantial role in nearly all decisions of any importance. This is characteristic of all voluntary organizations, so it should not be surprising. The paid executive staff are full-time professionals spending many more hours per day or week on United Way matters than the volunteers. It follows that they will generally be better informed and hence influential on most kinds of decisions.

Still, the variation in citizen board and committee power is important. Relatively high levels of citizen participation in United Way decision making are, in our opinion, desirable, and this is consistent with United Way voluntarism. Such citizen participation often degenerates into a farce, however, if very few changes in agency access or allocation percentages are made from year to year, as we shall see shortly. At the other extreme, United Way staff in some cities have complained that they were so busy staffing committee meetings and the like that they had no time to "do their work." We might well argue that their best work is facilitating citizen participation in the decision-making processes and operations of United Ways, once a very small amount of general housekeeping chores are out of the way. Finding the optimal balance is real challenge for the staff of any voluntary organization, yet the search is a crucial one.

Recommendation Eight

Local United Way staffs should be encouraged to foster and facilitate the maximum of meaningful citizen participation in United Way decision making that is consistent with the effective operation of the organization. When in doubt, the staff should err on the side of encouraging more, rather than less, citizen volunteer participation, since this is so crucial to the continued success of the United Way movement, and thus act as a counter to the strong centralization and "efficiency-maximization" tendencies present in the movement as a result of national United Way policies. Insofar as the staff fail to follow this recommendation, it is the responsibility of the board to replace or educate the staff so that more citizen participation in decision making can result. United Way funds come from a broad segment of the public and should be allocated in a broadly participative manner, not by the individual decisions of one or a few professional staff who claim to know what is best for the whole community. For staff to influence and facilitate decision making is one thing; to dominate it is quite another.

III

ACCESS TO UNITED WAY FUNDS

The situation with regard to access is a very simple and straightforward one. In most United Ways there is only a very slow turnover of agencies, so that access is strictly limited. What turnover does take place tends to be in agencies receiving only a small percentage of the total allocation. But before going into this question in more detail, let us first sketch the broad picture.

The United Way movement is and always has been (even in previous incarnations of name and organization) a part of the voluntary social welfare segment of the entire voluntary sector. Most United Way charters specify that the aims are charitable work in the areas of social welfare, health, and recreation (sometimes called youth programs or character development). The 1973-74 *Directory* of UWA indicates that the principal agency funding of United Ways across the country goes to family and children's services, the American Red Cross, hospitals and clinics, other health services, recreation services, and community welfare planning, with only 4.4 percent going to other services.[18]

Detailed statistics published by the UWA (1974) for the years 1973 and 1974 show that about $400 million nationally was given in 1974 to the following 13 charitable organizations (or types of organizations): Boy Scouts, Boys Clubs, nondenominational Family Services, Girl Scouts, Home Health Agency, Hospitals, Red Cross, Salvation Army, settlement houses and neighborhood centers, Urban Leagues, United Service Organizations, YMCA, and YWCA. Another 22 types of organizations account for an additional $125 million or so. Collectively, this comprises the majority of United Way funding around the country. Thus, in most individual United Ways, a similar package of agencies will account for the bulk of the funding.

These kinds of agencies that are customarily supported by United Ways share several outstanding characteristics. They all are social welfare, health, or recreational/youth serving organizations. They are all quite well established and well known nationally and locally, either as a specific organization (Red Cross, for example) or as a type of organization (hospitals). They are either very large as voluntary organizations, or autonomous units of a large movement or national service delivery pattern. They are almost always noncontroversial. They are not actively working for social change, except as it may relate to minor legislative changes that would facilitate their serving existing clients better. Insofar as they provide services to clients with problems or special needs, they do not emphasize a self-help or institution-building approach, but rather exemplify an "other-helping" approach. They have been receiving United Way support for a long time, so that a tradition of United Way giving is well established. They have been willing to relinquish all public fund raising campaigns of their own in order to participate in the United Way campaigns in various localities (with the exception of being able to solicit membership dues, fees for services, and similar income from well-defined populations associated somehow with their agency or organization). Collectively, they provide services potentially to nearly everyone in the population, either directly or indirectly (through a child or other relative). They are all tax-exempt nonprofit groups.

The kinds of agencies supported by the United Ways around the country can also be characterized in terms of what is left out. The United Way publicity leads the public to believe that one gift covers the whole range of worthwhile charitable organizations of the voluntary sector. This is false advertising. United Ways tend to support a wide range of worthwhile charitable agencies with the characteristics noted in the preceding paragraph. United Ways very rarely support, and give miniscule proportions of their money to, most kinds of voluntary and nonprofit organizations, as represented by the hypothetical (and sometimes actual) combined federations suggested earlier in this paper. Thus, United Ways rarely and poorly support consumer and client advocacy organizations, economic justice and social justice/civil rights groups (Urban Leagues and Urban Coalitions being the principal exceptions), nonprofit cable TV and public broadcasting nonprofit organizations, organizations working for world peace, organizations concerned with international friendship and understanding or even international development, artistic-esthetic-cultural organizations, leisure and recreational organizations other than the various youth groups and the Y's, citizen participation and people power organizations, indigenous self-help groups, ecology and environmental groups, social-change-seeking groups, and groups of any kind that are small, volunteer based, or new. United ways also rarely and poorly support private secondary and higher education of any kind, or most kinds of science and inquiry (the principal exceptions being medical research and modest and declining support for social policy planning research done by social welfare planning councils or their equivalent).

In order to improve truth-in-advertising with regard to United Way charitable activities, we make the following recommendation.

Recommendation One

United Ways and the United Way of America should be encouraged to cease making false and misleading claims about their coverage of philanthropic and charitable causes in the public media and printed advertising that they distribute. They should make clear the type of charitable services and agencies they support without implying that these are necessarily representative of all or the most worthy charitable organizations, for indeed United Way agencies are neither. The consultation of the Federal Trade Commission and public interest legal organizations should be sought to help to define what is fair advertising practice, in the light of the actual agency-support track record of the United Way movement. If the advertising continues to be misleading, appropriate legal action should be started on behalf of other federated charitable organizations or classes of organizations and their members.

Having sketched the big picture, we now turn to the details of how organizations enter or leave the set of United Way agencies in a particular urban area or city. When an agency or organization desires to become part of the United Way agency set, its first step is to contact the local United Way board of staff. Relatively few organizations even bother to ask to be considered in this way, so that a great deal of self-selection (or better, self-elimination) tends to take place within the local voluntary sector. Most organizations apparently realize they have little chance of being a United Way agency and hence do not apply, much in the same way that few people in the population apply for membership to any really exclusive club.

Of those organizations that do apply for entry, many are informally discouraged from pursuit of the application when the criteria of acceptance are explained to them. To get by this initial informal screening, usually performed by the United Way staff, an organization has to have all or most of the characteristics mentioned earlier in the descriptions of existing agencies. Roughly speaking, the agency or group has to be concerned with welfare, health, or recreational/youth development matters and must be noncontroversial (that is, not an advocacy or issue-oriented group; non-militant). Beyond this, the applicant organization must of course be nonprofit and be already reasonably well established, with a positive local reputation.

Agencies or groups that meet these broad criteria are, usually, asked to submit additional information about themselves, with particular emphasis on their structural characteristics and how they operate: they are asked, among other things, about whom they serve, what services they provide, what evidence they have of the need for their service, what kind of staff they have, whether and how they do program budgeting, what kind of accounting system they have, whether they follow a nondiscrimination policy and an affirmative action policy, whether they have an active citizen board of directors.

When all is said and done, however, the principal selection criteria at this preliminary stage seem to be rather technical ones: have they been around for at least a few years and demonstrated their worth and ability to survive, and do they run their organization efficiently from the viewpoint of the United Way. New organizations and sloppily run organizations, no matter how much they may be needed or how good a job they do, have little chance.

If an applicant organization makes it through the preliminary screening, then their case is usually turned over to some committee or other sub-unit of the United Way for more detailed consideration. In some cities, the case is examined in depth by the local social planning council or its equivalent. In other cities, these cases are reviewed by existing allocations committees. In any event, some sub-unit will try to take an indepth look at the organization, including at least one site visit and careful review of the answers submitted to questions such as those noted earlier. Representatives of the applicant organization must fully understand and accept the limitations imposed on any United Way agency (especially in regard to fund-raising and budgeting/accounting procedures) if the candidacy is to proceed further.

When agencies seeking entry have gotten this far, there is tremendous pressure placed on the review committee to reject the application unless a really strong case can be made for why this particular organization is "needed" right now. The existing agencies and their "friends" on the United Way board or committees would prefer to see *no* new agencies admitted, ever. This is not exactly a public-spirited perspective, but rather understandable from the standpoint of self-preservation and the "organizational imperative." To overcome such pressures, the sub-unit considering the applicant must be able to persuade the rest of the United Way system that adding a particular, established, well thought of agency (of a noncontroversial sort doing the right kind of things and good at accounting/budgeting/efficient management practices while accepting the limitations on autonomy that United Way agency membership entails) will enhance the overall image of the United Way agency package by covering some geographical area or category of clients not previously covered adequately (for example, Blacks, earlier in the 1960s; Chicanos or Spanish-speaking Americans or the aged, in the 1970s. Sometimes, the various areas of inadequate coverage are forcibly brought to the attention of the local United Way by public attacks or more informal complaints. Sometimes, the inadequacy is brought to light or documented by the local United Way-supported social welfare planning agency or by members of the board of directors.

There is modest variation in the percentage of new groups/agencies admitted per five-year period to local United Ways, but the general rate is a low one in any event. In one small-town United Way that we studied, there were about 15 percent new agencies added and a similar number dropped over a five-year period, but the agencies involved represented, in dollar terms, only a small percent of the total budget. In the medium-sized metropolitan areas that we studied, the picture was similar, but an even smaller percentage (about 5 percent) of new organizations was added in one of these cities. In a large metropolitan area United Way that we studied intensively, about 15 percent new agencies were added but over one fourth were dropped. Again, the results were striking in that over two different five-year periods that were studied from local United Way *Handbooks* (which give allocations for a given year as well as total agency budget data) we found that at the end of the five-year period the new agencies had only been allocated about 5 percent of the total agency budget. Thus, over the 10-year period, there was a shift of only 10 percent of the many millions of United Way dollars to new agencies. Put another way, the average shift of United Way money to new agencies (rather than shifting allocations to existing agencies) over the 10-year period was only 1 percent per year. Not exactly a rapid rate.

There are many reasons why agencies are dropped from United Way support. Perhaps the most troubling reason we found evidence of was the tendency for conservative local businessmen to bring pressure against consumer-oriented groups (such as a counseling service) or for conservative labor leaders to bring pressure against programs serving needy Blacks. As noted earlier, the United Way does not support controversial agencies. If any United Way agency creates a controversy (for example, when the national YMCA took a stand on gun control), pressures are quickly brought to bear within the system to eliminate the controversy (which usually means that the agency involved either capitulates or it is dropped; we found very few instances of stands "on conscience" being taken by United Ways in the face of concerted opposition).

There are many other more common reasons for dropping an agency, however, even though the process of dropping agencies is usually about as rare as adding them. Community health and welfare planning councils have been systematically dropped over the past several years, for reasons already noted, as part of a general attempt by United Ways to consolidate or eliminate social policy planning functions. "Small, poorly staffed local planning agencies in every town are inefficient."

Perhaps the most common general reason for dropping an agency is that it is getting so little money anyway that it makes no sense to bother with it. This sometimes comes about gradually over time as an agency relies more and more on other sources of income (government contracts, fees for services, and so forth) or as the agency declines in relevance to the community it once served well. Into this category fall many national health and welfare organizations that have been dropped in recent years because they have no local unit within the area served by the United Way. This tendency indicates a pulling back from the earlier espoused goal of serving the whole of health and welfare voluntarism through the United Way (or United Fund) as an advance over the earlier Community Chests which gave little to the national health agencies. Now many United Ways are turning inward to support only those agencies with significant local "presences." Of course, when United Way territories change, agencies that then fall outside the area of coverage will usually be dropped.

Some other trends that we believe can be perceived from our data include a shifting of emphasis from services in the suburbs toward more services for the needy and minorities in central urban areas, a tendency for smaller agencies to be merged with larger ones, and a tendency for more religious-sponsored agencies to be dropped from direct sponsorship (although they may be picked up by the religious charitable federations such as Combined Jewish Philanthropies, Associated Catholic Charities).

Recommendation Two

Local United Ways should be encouraged to publicize more widely their openness to consideration of suitable new agencies; to place less emphasis on technical efficiency criteria and organizational solidity so that useful new and weak voluntary organizations and agencies can be nurtured to grow stronger and more effective; and to overcome the pressures from vested interests so that more new agencies and groups serving the broader public interest and desperately needing funding can gain access to the United Way and so that a greater proportion of United Way funds can be allocated to these new agencies.

Accomplishing the foregoing will be no easy task. It will come about only to the degree that people in communities all over the country come to see that the public interest will be better served by the suggested changes than by the existing situation. Once this is perceived clearly, it can be backed up with the appropriate forms of local "political muscle." Perhaps local or state candidates for public office running on a reform platform can bring influence to bear informally if they are elected. Perhaps discrimination suits can be brought by agencies shut out of the process.

For the agency or organization on the outside of the United Way and desiring to be on the inside, there are three strategies suggested by Stanley Wenocur, based on his careful study of political aspects of United Ways: (1) "A new resource-seeking agency may try to foster the growth of alternative fund-raising and fund-allocating organizations that will challenge the United Way's monopolistic position." (2) "A new agency may strive to increase the United Way's motivation for becoming interested in it. For example, the new organization may gain prestige and become more desirable by attracting favorable public attention." (3) "A new agency may strive to restrict the confederation's means of attaining its goals without it. The agency may do this, for example, through forming coalitions, controlling information, making legal and constitutional challenges, or introducing coercive tactics."[29]

Recommendation Three

Local agencies or organizations desiring to become part of a United Way agency-set in their locality should push for entry using all available means, providing the basic goals of the group are broadly consistent with the types of organizations supported by United Ways. If an agency or organization is very different from the usual United Way agency, a better strategy would be to seek entry into or the formation of an alternative combined charitable organization federation, along the lines of those suggested in earlier parts of this paper.

IV

ALLOCATION, ACCOUNTABILITY, AND PLANNING

Allocation of United Way Funds

It is very simple to describe the *results* of the usual United Way allocation process, although there is a good deal of variation in the *process* by which these results are achieved. However allocation is performed, the result is essentially to allocate for the subsequent year about as much of the total United Way agency money as was allocated proportionately the previous year. There is a good deal of jiggering or tinkering within this framework, and occasionally there are a few major exceptions, but by and large this describes the situation both nationally and locally.

To document the allocation results, we took the 1973 and 1974 allocations by city and by metropolitan areas for selected agencies that were published by the UWA (1974). For about 40 major agencies to which United Way giving is common around the country we computed the net change in the percentage of total national United Way allocations given to each agency or agency type. Thus, for the Boy Scouts there was about 5.5 percent of the total allocated nationally in 1973 and about 5.4 percent in 1974, a net change of 0.1 percent. When all of these net changes are averaged for the 40 or so major donees of United Ways, the average change from year to year is about 0.2 percent. Only two changes were greater than 0.3 percent in either direction (up or down): the local Catholic Charities Federation got about 2.7 percent more in 1974 and the local Jewish Charitable Federation got about 1.5 percent more in 1974. Hence, there was, on the average, only miniscule change in United Way allocations of over $500 million to these major charitable agencies.

We examined the same issue in one of the large metropolitan area United Ways that we studied. Here we were able to obtain data from local United Way *Handbooks* for the period 1966 through 1975. From 1966 to 1970, the average change in percentage of total United Way agency allocations to the 72 agencies present at both dates was 0.35 percent and the 12 new agencies present by 1970 were receiving a bit more than 5 percent of the total. For the 1970 to 1975 period, the average change in percentage allocations to agencies was only 0.2 percent and the 12 new agencies in this period got a bit less than 5 percent of the total allocations. Over the whole nine-year period, the average change in percentage of United Way allocations was 0.56 percent for the 72 agencies that we could follow over the entire period. The total 24 new agencies were being allocated a bit less than 11 percent of the total of agency allocations. Most of the money allocated to new agencies came, figuratively speaking, from the percentage of "the total pie" freed up by various groups dropped from the United Way.

A similar examination for the five-year interval between 1970 and 1975 in a small-town United Way revealed similar results: the average change in the percentage allocation is about 1 percent and most of the money for new agencies can be viewed as coming from money freed up by former agencies that were dropped.

The allocation figures *appear* to involve more year-to-year or five-year-interval change if one looks at the dollar amounts. Yet the key issue is proportionate allocation of the total pie, not the minor dollar amount changes. And the proportionate allocations of the total pie, especially for the larger donees, change very little indeed.

This clear-cut result has rather disheartening implications. As one United Way critic put it: "Thus the supposedly difficult and delicate process of distributing Community Chest contributions becomes little more than a charade designed to lull the lay decision maker into the belief that he is, in fact, reaching monumental decisions."[30] A more charitable interpretation would be that *the United Way is effectively a mechanism for supporting a fairly unchanging set of charitable agencies with an essentially stable allocation pattern.* Local allocation committees tinker within very small ranges for each agency and occasionally make fairly major percentage changes in agency allocations.

Given the results of the process, the details of how the status quo is maintained from year to year are scarcely necessary here. Suffice it to say that allocation committees spend a good deal of time looking at proposed budgets for the subsequent year, discussing the relative merits of different agencies and their programs, meeting with representatives of each agency, and perhaps sending a site-visit team to look over the agency and meet with its staff. Suggestions are made to agency staff regarding improvements that the United Way would like to see made (such as shifts in program emphases, changes in accounting or budgeting procedures, alteration in clientele served). Review or allocation committees have real power to make decisions regarding allocations, but almost always within a very narrow range. Once these decisions are made, the board of directors usually accepts them with little question. The only time major questions arise is when some allocation decision appears to be "rocking the boat." Then the board of the United Way is likely to reestablish a "fair allocation" to the agency in question, giving it the benefit of the doubt if it is an established agency and cutting down on some newer agency.

Recommendation One

Local United Ways should be encouraged to make greater year-to-year changes in agency allocations according to local community needs and priorities and according to variations in agency performance.

Accountability in the United Way System

As we have noted at length earlier, the United Way of America national coordinating organization is relatively unaccountable to its constituent United Way membership across the country. There is no official accountability via representation of local United Way executives on the UWA board of directors. Such accountability as there is exists for the staff executives of the largest local United Ways (top 10 or top 20 cities) through the informal contacts and meetings of these executives and their committee work in connection with the UWA. We have already suggested ways in which this situation could be improved.

At the local level itself, there is only a vague kind of general accountability, based largely on informal channels of communication and acceptance of reported activities at face value. The performance of United Way supported agencies is mainly examined from the standpoint of the program budgeting and accounting data that they submit, together with some occasional site-visit information. Given the results of allocation decisions, and the pressures to maintain these decisions over time, it is not surprising that more careful evaluation is not done. Yet there is evidence that the agencies themselves represent marked variations in quality of services and in public image.

Recommendation Two

Local United Ways should be encouraged to perform careful and thorough performance evaluations of all agencies that they support each year, utilizing *interview and/or questionnaire data from agency staff, agency clients, and random representatives of the intended client population and public at large, in addition to the usual internal program budgeting and accounting data.* These evaluations should be taken into account in making allocation decisions, rather than simply continuing the previous year's allocation at about the same level. (see Recommendation One, this chapter).

Priority Planning And Public Needs

As should be clear from the foregoing, the United Way movement does not currently set much store by priority planning and the utilization of philanthropic funds to meet current public needs. Since access to these funds is tightly controlled and since allocations show very little change from year to year, it matters little what current priorities are. In earlier years, Health and Welfare Councils and similar policy planning bodies attempted to make priority studies and to recommend changes in how funds are allocated. Currently, such planning bodies are being phased out of existence, perhaps partly because they raise embarrassing questions about why there is little or no relation between the results of priority studies and the way United Way funds are allocated. In our brief pilot survey we discovered two major instances where careful community priority planning studies were performed, accepted, and then never implemented. The forces perpetuating the present allocation and access arrangements seem to be much more powerful than a concern for meeting the public needs in the best way possible. Public needs and community priorities are *defined* (either implicitly or explicitly) by the United Way as those needs and priorities currently being satisfied by United Way agencies. This makes the whole system quite balanced and consistent, but it does not serve the public interest.

Recommendation Three

Local United Ways should be encouraged to make conscientious attempts to discover what current community needs and priorities are, followed by equally conscientious attempts to alter funding decisions to conform more closely to established priorities and needs.

V

CONCLUSION

In this brief paper we have only been able to scratch the surface of a complex subject of great importance to philanthropy and the voluntary sector in America. Yet, if our research, and that of others who have examined the same subject matter, indicates anything it is that there are great problems with federated fund raising, as well as great virtues. The virtues have mainly to do with the amounts of money raised for philanthropic purposes. The problems have to do with how that money is raised, allocated, and accounted for.

In the broadest terms, the conclusions of our study are that the current practices of the United Way movement (and similar federated fund raising organizations) need a great deal of change if this movement is to be able to serve the public interest to a reasonable degree. The public interest requires that there be alternative major federated campaigns in the near term in order to represent the full range of important charitable organizations working toward the accomplishment of a broad set of human and public needs. The set of public and human needs currently and historically served by the United Way movement is an important one but it is only a narrow segment of the whole spectrum, contrary to what the United Way organizations and the national United Way of America publicly profess.

In the longer term, our study and those of others raise serious doubts regarding whether any large federated fund raising organization such as a United Way or its equivalent can ever break out of the complex of political, economic, and social forces that prevent it from being responsive to community needs as they change over time and from being alert to major variations in the quality of performance of agencies, adjusting both access and allocations in accord with such performance variations. United Ways have *some* responsiveness to changing needs, do *some* performance evaluation, make *some* corresponding changes in access and allocations. But such actions are almost invariably very inadequate. Therefore, we must, reluctantly, make the following final recommendation: *Unless the United Way and similar federated fund raising and allocation organizations can meet the challenges of increasing their overall responsiveness to the public interest along the lines suggested in the many earlier recommendations, federated fund raising and allocation organizations should be legislated out of existence on public interest grounds, much in the same way that business cartels, trusts, and the like were legislated out of existence earlier in this century, even though they, like the United Ways, were very "efficient and effective."*

Footnotes

1. Scott M. Cutlip, *Fund Raising in the United States* (New Brunswick, N.J.: Rutgers University Press, 1965), pp. 14, 65.

2. Ibid., p. 60.

3. Ibid., p. 496.

4. United Way of America, *Directory*, 1974-75 (Alexandria, Va.: United Way of America).

5. Ibid, pp. 18-19.

6. Ibid., p. 18; United Way of America, *Directory*, 1973-74, p. 16.

7. Ibid.

8. Richard Carter, *The Gentle Legions* (New York: Doubleday, 1961), p. 273 ff; Chester W. Hartman and Lynn Thomas, "The Equity Package: Cities, Families and Schools," *Society* 12, no. 1 (1974), p. 55.

9. Philip M. Marcus, et al, *Survey of Lansing Employee Perceptions of Capital Area United Way, Report #1: Givers and Non-Givers*, (East Lansing, Mich.: Department of Sociology, Michigan State University, 1973), unpublished mimeo report.

10. Ibid., Table 12.

11. Ibid., Table 13.

12. Ibid.

13. Carter, op. cit., p. 250.

14. Hartman and Thomas, op. cit., p. 54.

15. American Association of Fund-Raising Counsel, Inc., *Giving USA*, 1975.

16. John H. Watson, III, *Biennial Survey of Company Contributions*, The Conference Board, Report No. 606 (1973), Table 1.

17. Ibid., Table 10.

18. David Horton Smith, et al, *Voluntary Transactional Cultural Exchange Organizations of the U.S.: A Selected List* (Washington, D.C.: Center for a Voluntary Society, 1974).

19. King E. Davis, *Black Fund-Raising* (Waltham, Mass.: Brandeis University, 1972), unpublished mimeo report.

20. According to Hartman and Thomas, op. cit., p. 58, there is a United Fund for Social Change in San Francisco that supports several minority and low-income white, community-based groups. Similar campaigns have begun elsewhere.

21. United Way of America, *Directory*, 1974-75.

22. ———— *Directory*, 1970.

23. ———— *Directory*, 1974-75.

24. Clark W. Blackburn, "Voluntarism, Dead or Alive?" *Social Casework* (1972) 53:3-8, p. 6 f.

25. David Horton Smith, "The Impact of the Voluntary Sector on Society," in David Horton Smith, ed., *Voluntary Action Research: 1973* (Lexington, Mass.: Lexington Books, D.C. Heath and Co., 1973); David Horton Smith with John Dixon, *"The Voluntary Society,"* in Edward Bursk, ed., *Challenge to Leadership: Managing in a Dynamic World* (New York: The Free Press, 1973).

26. Hartman and Thomas, op. cit., p. 56; Beatrice Dinerman, "Community Chests: The Ignorant Philanthropists," *Nation* (March 30, 1970), p. 870.

27. R.L. Warren, "The Interaction of Community Decision Organizations," *Social Service Review* (1967) 41: 261-70.

28. United Way of America, *Directory*, 1973-74, p. 20.

29. Stanley Wenocur, "A Political View of the United Way," *Social Work* 20, no. 3 (1975), p. 227.

30. Dinerman, op. cit., p. 371.

References

Seeley, John R., et al. *Community Chest.* Toronto, Ontario: University of Toronto Press, 1957.

United Way of America. *1973 and 1974 United Way Allocations to SMSAs; 1973 and 1974 United Way Allocations by City to Selected Agencies.* Alexandria, Va.: United Way of America, 1974.

WHO'S FUNDING THE WOMEN'S MOVEMENT

Mary Jean Tully[†]

A recent survey of women's groups and women's organizations by the NOW Legal Defense and Educational Fund indicates very clearly that the women's movement has been almost entirely shut out by the philanthropic establishment. Conversations with the major tax-deductible feminist organizations reveal few foundation grants and virtually none from corporations. Foundation support has been at a low level and has come from only about 20 of the nearly 30,000 foundations in the country. Corporate support has been forthcoming in very small amounts and has, so far as has been discovered to date, involved only about a dozen corporations.

None of this is from lack of opportunity to contribute. From all reports, both foundations and corporations have been besieged with requests for funds from a variety of women's groups, ranging from small to large, local to national, all involving many different kinds of projects: litigation, education, entertainment, women's centers, abortion referrals, legal counseling, celebrations of International Women's Year, and numerous others. Funds for legislative activities, such as the Equal Rights Amendment, have been scarcer, in spite of the fact that there is some evidence that corporations, especially insurance companies, have been funding the anti-ERA forces.

What appears to have happened in both the corporation and the foundation worlds is that the uproar over women's rights has pressured donors into contributing in a modest way to projects that *concern* women. Yet they have been unwilling to contribute to those groups that are avowedly feminist in purpose, that were organized by women, that are run by women, and that have as their major goal the elimination of sex discrimination in all areas of American life.

Thanks to the Foundation Center, it is simply a matter of research and definition to track foundation grants to women's projects. One thing quickly becomes clear: the bulk of the money that has gone for such projects has gone *not* to the feminist organizations but to established women's groups and institutions. Even using a loose definition of what constitutes a project that is designed to improve the status of women, one can identify only something in the neighborhood of $12 million in foundation grants from the beginning of 1972 through the end of 1974. This is out of a total of approximately $7 billion—*less than one fifth of one percent.* Of this amount, probably no more than $2 million, at best, has found its way to organizations that feminists would define as feminist.

Given the secrecy about contributions that prevails in the corporation world, it is considerably more difficult to discover just what corporations have done in this area. Since there is no ready source of data about corporate contributions, it was necessary to go to the would-be recipients, to the largest and best known of the feminist organizations. As was true with foundations, much of what little corporations have done for women has been in a traditional vein—contributions to women's colleges, scholarships for women engineering students, secretarial-training programs for high school dropouts, and gifts to established women's organizations such as the League of Women Voters. Very, very little has gone to the organizations formed for the specific purpose of working for equal rights for women. To date, the survey has turned up only 12 corporations that have contributed to feminist organizations. Dollar amounts have been miniscule: only 3 gifts over $5,000 were reported.

There are indications that local offices of nationwide corporations have supported local women's groups with small amounts of money and with help in the form of free space, furntirue, use of WATS lines, social-service leave personnel, donations of products, and other forms of in-kind assistance. The actual amount contributed is probably very small. The women's movement is so large and so amorphous that a comprehensive, definitive study of support would be difficult. It is also unlikely that it would reveal much additional information. It is obvious that if corporations were going to contribute heavily to the women's movement, they would be doing it with those nationwide organizations that have already been referred to. It is also likely that significant amounts of corporate support at the local level would have been reported by corporate contributions officers to the various solicitors from national organizations who have approached them. The absence of such reports makes it likely that such support does not exist on any kind of large scale.

[†] President, NOW Legal Defense and Education Fund.

Two of the most successful nationwide feminist organizations, where fund raising is concerned, are the Women's Action Alliance (WAA) and the NOW Legal Defense and Education Fund (NLDEF). Both have been in business for four or five years and both have received corporation and foundation funds. The WAA reports 6 foundations grants for a total of $85,000 and 6 corporation grants totaling $30,000. NLDEF's foundation grants amount to $176,000, in 8 grants; 4 corporations have provided support, for a total of $18,500. Both organizations have had a certain amount of success raising money by direct mail; the NLDEF has raised over $100,000, WAA, $80,000.

No significant contributions from unions or church groups have been found. Local units of the Junior League have recently been making contributions to feminist organizations for litigation.

Representatives of the following organizations were surveyed by NLDEF with regard to their funding sources:

Women's Projects in Other Organizations

ACLU Women's Rights Project
American Association of Colleges Project on Women
American Council on Education Project on Women in Higher Education
Center for Law and Social Policy
Eagleton Institute Center for American Women and Politics
NAACP LDEF Project on Black Women's Employment
National Foundation for the Improvement of Education
Urban Institute Research Project on Women
Wellesley Center for the Study of Women in Higher Education and the Professions

Women's Civil Rights Organizations

Boston Bicentennial Task Force on Women
Center for Women Policy Studies
Celebrate Women
Federation of Organizations for Professional Women
National Black Feminists Organization
National Committee on Household Employment
National Women's Education Fund
Nine to Five
Stewardesses for Women's Rights
The Feminist Press
WEAL Legal Defense and Education Fund
"Woman Alive"
Women Employed
Women in the Arts
Women Involved
Women's Action Alliance
Women's Law Fund
Women's Law Project

PATTERNS OF ETHNIC AND CLASS DISCRIMINATION IN THE CORPORATE AND PHILANTHROPIC WORLD

Geno Baroni[†] Arthur Naparstek[*]
and
Karen Kollias[††]

This report discusses the relationship between the private sector and ethnic/working class people and their organizations by assessing two issues: one, patterns of ethnic and class discrimination in the middle and upper levels of corporate management and, two, the extent to which private philanthropy supports ethnic/working class community organizations.

Statement of the Problem

During the decade of the sixties, several national foundations took the lead in launching a national effort to address social and economic problems. A working alliance of social and political scientists, policy analysts, federal bureaucrats, and others influenced the federal government to commit itself explicitly to a struggle against poverty and racial discrimination.

President Johnson's War on Poverty, which in large part had its origins in the Grey Areas program supported by The Ford Foundation, was principal among the social innovations of this era. But by 1969 these alliances broke down, and public support for the War on Poverty dramatically abated.

The experience of the sixties clearly demonstrates that problems of poverty and economic and social discrimination are relative conditions with different implications for people throughout society. For example, Mitchell Svirdoff, in the 1969 Ford Foundation Annual Report, notes that the policies and programs of the 1960s that were exclusively aimed at poverty and racism were appropriate and necessary in the short run but may have had unfortunate consequences in the longer run. Svirdoff states: " . . .for the polarization that today puts American society under strain stems in large part from the dissatisfactions of whites in the near poor, lower middle class and middle classes, those left out of much recent public programming. This predominantly working class sector has since the thirties been a prime beneficiary of government programs and legislation—Social Security, the National Labor Relations Act, Federal Housing and even highway programs. Nevertheless, they see themselves as paying a disproportionate amount of both the social and monetary costs of the innovations of the sixties."

Be it foundation or federal policy and programs, the legitimate concerns of ethnic/working class Americans are often ignored. Several explanations for ignoring this group are often put forth by representatives of the philanthropic community:

1. Those concerned with domestic issues assume that the conditions of life in white working class neighborhoods are not worthy of attention. It is often thought that people living there had the option to move out, that they had the economic mobility and the color to do so.

[†] Founder and president, the National Center for Urban Ethnic Affairs, Washington, D.C.

[*] Director of public policy and program development, the National Center for Urban Ethnic Affairs.

[††] Policy analyst, the National Center for Urban Ethnic Affairs.

2. Others who are concerned with racism and discrimination define the problem only within the context of poverty as related to specific racial, geographic, and economic groups, the result being that poverty is defined in absolute terms and that foundations are asked to support those innovations that are needed to reform social institutions and provide mobility opportunities for poor people, and more particularly, poor minorities. Attention is not paid to universal problems of inequality, social injustice, and exclusion and how these forces have differential impacts on different groups of people.

3. Others regard ethnicity as a divisive force in American life. Few decision makers in private philanthropy understand the pluralistic nature of American society. Although some of the worthwhile foundation supported projects concern themselves with ethnic minorities, few projects deal with ethnic, racial, and religious diversity. One consequence is that we have not developed the competence or insights in dealing with pluralism and in working constructively to resolve those social tensions that result from intercultural and interracial competition and conflict. Foundation executives often place the needs of minorities and white working class ethnics in a competitive framework.

The issue is not to make a choice between ethnic/worker concerns and poor/Black concerns. The key is a recognition of the pluralistic nature of society—that every community has legitimate concerns and that if public policies are to succeed, they must meet, not ignore, the needs of all urban groups. If policies and programs do not face these needs and attempt to meet them, they in effect sow the seeds for even greater polarity and division between those whose needs are considered and those whose are not.

Patterns of Ethnic and Class Discrimination in the Corporate World

Evidence is beginning to show patterns of ethnic and class discrimination in the corporate world. If one assumes that corporations and foundations have a responsibility to the public, then issues of accessibility and accountability must be considered. Although our data base is quite preliminary, we find few positions of power in the foundation or corporate world that are held by white or nonwhite ethnic working class people. The processes governing who obtains management positions, who serves on corporate and philanthropic boards, appear to exclude a large proportion of Americans.

Senator Mondale, in a speech on the Senate floor, noted the following: "In this country today, there are precious few women and minority group members at the middle and upper levels of management—the executive suite—in business and industry. Less obvious but no less true, there are discouragingly few representatives of these Southern and Eastern European ethnic groups at these same management levels. Polish, Italian and other Slavic ethnic groups are beginning to take a hard look at their own participation in the American dream. They are finding that they are a long way from 'having made it.' They are asking questions and looking for data relating to their condition."

Taking a lead from the American Jewish Committee, an organization that has conducted important studies to measure the executive mobility of Jews, a study was prepared for the National Center for Urban Ethnic Affairs to examine the ethnic composition of boards of directors or executive offices of the 106 major national corporations and financial institutions headquartered in Chicago. The study was conducted by Dr. Russell Barta, a social science professor at Mundelein College in Chicago, in conjunction with the Institute for Urban Life. It was to discover how many Italians, Poles, Latins, and Blacks were members of the boards of directors or officers of the 106 firms. More than half (66 percent) of the corporations had been included in Fortune magazine's 1972 list of the 500 largest corporations in the United States.

Dr. Barta found that while the 4 groups studied represented nearly 34 percent of the 7 million residents of the greater Chicago Metropolitan Area, only 36 directors—less than 3 percent of the total 1,341 directors—and 52 officers—less than 4 percent of the total 1,355 officers—were Polish, Italian, Black, or Latin. Fifty-five of the 106 corporations had no Poles, Italians, Latins, or Blacks serving as either directors or officers. In fact, Poles, Latins, and Blacks were virtually absent from the upper echelons of Chicago's largest corporations. Of the 106 firms, 102 had no Polish director and 97 had no Polish officers. Only one corporation had a Black officer; two had Latin officers.

While Italians had better representation in the executive suites, 84 corporations had no Italian directors and 75 no Italian officers. The Italian statistics were misleading because one of the firms studied, the Admiral Corporation, is Italian-American owned and operated and because Dr. John Rettaliata, an Italian and the former president of the Illinois Institute of Technology, was at the time a member of 9 of the 106 boards studied.

Although Poles make up 6.9 percent of the Chicago metropolitan population, only 0.3 percent of the corporate directors are Polish. Italians, at 4.8 percent of the population, comprised 0.4 percent of the directors; and Latins, at 4.4 percent of the population, accounted for only 0.1 percent of the directors. The same general pattern held true for company officers. The ethnics were, on the average, better represented than the Blacks. It was obvious, however, that none of the groups had "made it" and that the top layers of corporate management are still closed to them.

The question as to why ethnics are not better represented at the top in industry brought responses that ranged from "conscious discrimination" to "company tradition" and "the clubishness of the excutive suite," where boards especially tend to seek out people with similar backgrounds.

That minority groups tend to go into the professions rather than into the corporate structure, which has been generally documented, was offered as an excuse as to why more Blacks and ethnics are not seen at higher levels in industry.

Some of the reactions to the study are of interest:

David Roth, Midwest director of the American Jewish Committee: "The Poles and Italians are groups that attempted to homogenize into the society, but the second and third generations are discovering that it takes more than time to become part of the mainstream."

Anthony J. Fornelli, a Chicago attorney and a leader of the Chicago Polish Italian Conference: "If we are such a large percentage of the national population, why do we have such a small percentage of the top jobs? Either we are a minority in numbers or a minority in thought. Either business is ignoring an untapped vast resource or there is a conscious effort to exclude. The statistics say something is wrong. I think the decision is conscious. I feel there is conscious effort to exclude at hiring. Can you believe that four groups have been excluded without a conscious effort? I am on my own because of a deeprooted feeling I'd never make it in one of the corporations."

Mitchell P. Kobelinski, former president of the Illinois Polish National Alliance and a director of the Export-Import Bank: "The Executive Suite study speaks for itself and shifts the burden of proof to the corporations. With the existing population percentages of the four minority groups represented in the study, it couldn't be coincidence. It must be design. You (corporations) prove to us you haven't been discriminating."

John M. Coulter, director of Merit Employment, Manpower and Development Training for the Chicago Association of Commerce and Industry: "Most major corporations had some fairly rigid and strict identification in the past–a lodge, university, specific denomination, possibly an ethnic group. Boards tend to seek out people with like backgrounds even while trying to find the best men they can." (An interesting footnote is that the Chicago Association of Commerce and Industry, with a membership of 5,000 firms, has an 85-man board which includes four Blacks and no Poles, Italians, or Latins. Of the association's 16 officers, none were from the four groups studied.)

Dr. Rettaliata, who is on 16 boards, 9 of which were in the executive suite study, admitted to being surprised at the low levels of ethnic participation, but added, "Anyone who is qualified and is no crusader who will embarrass the company can become an officer or a board member. There is no reason why an ethnic can't go as far as anyone." Walter H. Clark, vice-president of the First Federal Savings and Loan Association of Chicago, and the only Black officer in the 106 corporations studied: "It (the study) doesn't surprise me. We are seeing the results of years of discrimination. For the average black kid the statistics don't show any bright spots."

The Chicago executive suite study was purposely limited in scope, but the results show that there is enough evidence to warrant further studies of representation levels in civic groups (such as public boards and commissions), private agencies, associations, foundations, and social organizations at the national, state, and local levels.

Private Philanthropy's Support of Neighborhood Organizations

To assess private sector support for working class/ethnic community based nonprofit organizations, the National Center for Urban Ethnic Affairs (NCUEA) sent out a questionnaire to 40 different groups. Three types of organizations were sampled: (1) ethnic organizatons with an emphasis on education, cultural enrichment, and the delivery of human services; (2) community organizations with an emphasis on social change through social action strategies; (3) neighborhood-based economic development organizations with a program emphasis on community development corporations and neighborhood credit unions.

Over 50 percent of the groups responded to the questionnaire, either by telephone or in writing. A breakdown of the respondents indicates a representative distribution of each type of organization in the sample.

Ethnic organizations. Ethnic organizations reported that they had the most difficulty obtaining support from local foundations and other local funding sources such as United Funds and Community Chests and corporations. Perhaps the most significant finding relates to instances in which local funding sources contribute to racial tensions between white and nonwhite culturally oriented organizations. Respondents reported that representatives of funding sources often define "ethnicity" in the context of race, resulting in the exclusion of cultural programs that reflect a European nationality.

In obtaining support for human services, ethnic associations did relatively well in their negotiations with local funding sources. However, over 75 percent of the respondents reported significant inequities in the manner in which United Fund money was distributed. When compared with established agencies, ethnic and community-based groups received a relatively small proportion of the total. Competition for local dollars is also put in the context of race. The perception, although

Conclusions

Although the aforementioned research is exploratory, several inferences can be drawn. If the public interest is to be served, the private sector must take actions that recognize ethnic, racial, and class diversity. The traditional funding practices of philanthropic organizations stimulate competition between whites and nonwhites. If there is to be genuine social progress and equity, the private sector must recognize that ethnic and racial minorities have related problems and goals, and it must come together to insure that full participation and economic mobility are available to everyone.

In light of the Filer Commission study of American philanthropy, the evidence suggests the need for the following:

1. For foundations and corporations to examine themselves, not only in terms of the legitimate concerns of minority representation on boards, management positions, and grant awards, but also to take actions to open up the "executive suite" so that real ethnic, racial, and class diversity is represented. It is recommended that research be commissioned to determine actual ethnic and racial representation in the corporate structure, in foundations, and in private commissions and associations. Only through public disclosure can we determine how different groups of Americans share in the power and affluence of the philanthropic community.

2. For the Council on Foundations to encourage national foundations to establish "intermediary institutions" to work with locally based community groups in terms of resource development, technical assistance, and general support. The intermediary institutions would in effect receive grants from large foundations and make awards to local groups.

In the context of this paper we support the following proposals regarding allocation, accessibility, and accountability which are being considered by the Community Leadership Conference on Private Philanthropy and Public Needs:

1. All organized private funding sources that distribute tax-exempt dollars shall be required to expand their boards of directors to include significant representation from the general public and nonprofit agencies and, in particular, women, minorities, and "ethnics."

2. All organized private funding sources shall prepare and disseminate information about their priorities for funding, eligibility criteria, and application procedures in order that all eligible applicants have equal opportunity to apply.

3. All nonprofit organizations shall provide complete and uniform financial information, goal and program statements, criteria for evaluation and evaluation reports to a central source; this information should be readily available to the public.

4. A permanent commission shall be established to collect information on all tax-exempt organizations and make this information available in concise and inexpensive form to the general public.

5. Tax-exempt organizations shall not be restricted in any way from lobbying in furtherance of the charitable purposes of the organization.

exaggerated and distorted, is that minorities receive the largest share of human-service money. This notion is often supported by local media campaigns sponsored by United Funds and Community Chest organizations.

National foundation support for organizations with a multi-cultural perspective was also problematic. Consider the following: Five organizations responded that they did not highlight the issue of ethnicity in any of their proposals or in dealing with the foundations. Eleven groups reported negative reactions from foundations when they have incorporated ethnicity into their programs. Six received grants for programs that highlighted ethnicity; however, it should be noted that three of these were funded by the National Center for Urban Ethnic Affairs.

Many stated that "there was no use in trying" when it came to raising funds for programs with an emphasis on ethnicity, unless it was by NCUEA or related to ethnic studies.

Community organizations. A large majority of the respondents had negative experiences with national foundations. Excluding the sub-grants awarded by NCUEA, only three organizations received national foundation funds.

The following comments are representative of attitudes of community organization respondents toward national foundations: National foundations are not sensitive to neighborhood needs; too much staff time was demanded in negotiations with national foundations; national grants were made on a personal basis rather than on merit; new and nontraditional programs were often given low priority; the decision-making mechanism for awards is bewildering and inaccessible to local folk (Most respondents reported a "run around" when criteria for rejection was requested. In fact, one respondent, mystified by the entire process, referred to grantsmanship as an "occult science"); foundation board members and staff imposed national issue agendas on local groups.

Approximately 50 percent of the groups receive funds from local funding sources. However, nine of these groups indicated that local foundation boards did not represent the constituencies they were funding, that they often represented interests that were in direct conflict with the organization's action agenda and generally were conservative in ideology and thus were hesitant to fund "nontraditional programs." Another problem was that there was "too much competition" among local activist organizations for the few foundations open to such new programs; and when money was made available, there were stringent matching requirements.

Economic development organizations. Seven organizations are involved in either CDC or credit union programs and thus are receiving funds from either a federal agency, local foundation, or a sectarian funding source. Only one organization receives funds from a national foundation for program development in this area.

Groups in this category generally evolved from mass-based community organizations. As most representatives of funding sources do not understand the ontological development of community organizations, all the groups have had difficulty in generating seed money for development purposes. With the exception of The Ford Foundation and the Campaign for Human Development, private philanthropy appears to have ignored the various programs that can be utilized for neighborhood development purposes and simultaneously help community groups to become self-supporting.